As of 12 p.m. ET **DJIA** 10850.43 ▼ 0.35% **FTSE 100** 5677.88 ▲ 0.07% **Nikkei 225** 10815.03 ▲ 0.38% **Shanghai Comp.** 3056.81 ▲ 0.12% **Hang Seng** 21008.62 ▲ 0.10% **Sensex** 17451.02 Closed **S&P/ASX 200** 4891.54 ▲ 0.34%

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Japan's ruling party suffers hope and change hangover
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Karzai visits China

European Pressphoto Agency

Afghan President Hamid Karzai, right, inspect honor guards with Chinese President Hu Jintao during a welcome ceremony held at the Great Hall of the People in Beijing on Wednesday. Mr. Karzai presided over the signing of agreements on economic cooperation, technical training and preferential tariffs for some Afghan exports to China.

Samsung ex-chief returns

By Evan Ramstad And Jaeyeon Woo

SEOUL—The return of Lee Kun-hee, South Korea's most powerful business figure and its wealthiest individual, to a public role at **Samsung Electronics** Co. is the climax of an effort by former deputies to reverse some of the damage he suffered after a tax fraud scandal forced him to resign two years ago.

Mr. Lee, 68 years old, will take the title of chairman at Samsung Electronics, the biggest of the approximately 60 companies in the South Korea's largest business group. Earlier, Mr. Lee had led the group, which was started by his father, for more than 20 years.

But the title of chairman doesn't bear the same legal weight in South Korea as it does in the U.S. and other countries, and Mr. Lee won't play as big a role at Samsung as he did in the past, executives said after the move was announced Wednesday.

Mr. Lee won't rejoin the board of Samsung Electronics, which has a chairman, and won't rebuild the oversight office he previously used to control the other Samsung companies, which are now more loosely affiliated. Mr. Lee also won't participate in daily management or personnel decisions at Samsung Electronics, according to a company spokesman and an executive familiar with the situation.

Instead, Mr. Lee is likely to serve as a figurehead representing the company with key customers and in South Korean political circles. The executives noted that while Mr. Lee is the largest individual shareholder in Samsung Electronics and some other Samsung companies, the group's companies have all changed to professional management with board-led oversight and legal responsibilities.

"He wouldn't do something against the interests of the shareholders," said one high-ranking executive who asked not to be named. "If he does, it wouldn't be allowed."

Mr. Lee resigned as the leader of the **Samsung Group** in April 2008 after being indicted on tax fraud charges. A district court judge later that year found him guilty of tax evasion, ordered him to pay a $110 million fine and back taxes, and gave him a suspended three-year prison sentence.

Please turn to page 20

U.S. urged to avoid rash steps on yuan

By Corey Boles

WASHINGTON—A panel of currency experts urged the U.S. Congress not to engage in drastic unilateral trade action in a bid to address the widely held perception that China is keeping its currency artificially low to boost exports.

Testifying Wednesday before the House Ways and Means Committee, the group of economists and historians agreed that the yuan is being held at a falsely low level when compared to the dollar, and that the Treasury should designate China as a currency manipulator.

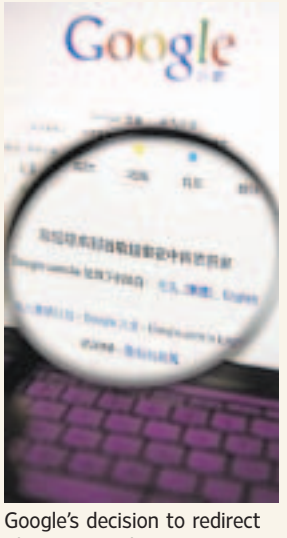
The Treasury is due to issue a biannual report laying out its currency concerns on April 15, in which it could label China as a currency manipulator.

The experts argued against knee-jerk reaction by Congress in the form of applying tariffs against imports from China or other aggressive reaction to the situation.

They said the better approach would be for the U.S. to work through international bodies like the World Trade Organization and the Interna-

Please turn to page 20

Google in Hong Kong



Google's decision to redirect Chinese searches to its Hong Kong site highlights the political challenges the city faces as it grows closer to Beijing. **Page 3**

Why Google pulled plug

By Jessica E. Vascellaro

Behind **Google** Inc.'s dramatic decision to shutter its China-based search engine this week was co-founder Sergey Brin's change of heart about the compromises required to do business in a land that was increasingly reminding him of his native Soviet Union.

The beginning of that change came just after the 2008 Summer Olympics in Beijing, Mr. Brin said in an interview about the China decision.

As the glow of the Olympics faded, he said, the Chinese government began ratcheting up its Web censoring and interfering more with Google's business. Around that time, he said, the murky rules of doing business in China grew even murkier.

"China was ever-present," he said. "One out of five meetings I attended had some component that applied to China in a different way than other countries."

The 36-year-old cofounder said he was also moved by growing evidence in China of repressive behavior he remembered from the Soviet Union, which he and his parents fled when he was six years old.

Mr. Brin said memories of that time—having his home visited by Russian police; the anti-Semitic discrimination against his father—emboldened his view that it was time to abandon Google's policy.

China has "made great strides against poverty and whatnot," Mr. Brin said. "But nevertheless, in some aspects of their policy, particularly with respect to censorship, with respect to surveillance of dissidents, I see the same earmarks of totalitarianism, and I find that personally quite troubling."

On Jan.12, Google said it would stop self-censoring its search engine in China, citing cyberattacks it believes were motivated by an attempt to spy on Chinese activists' emails. On Monday, Google implemented that policy, routing mainland users of its search engine to a site in Hong Kong that the company wasn't censoring.

The cyberattacks were the "straw that broke the camel's back," Mr. Brin said. A heated debate in the company about whether to cease censoring ensued, say people familiar

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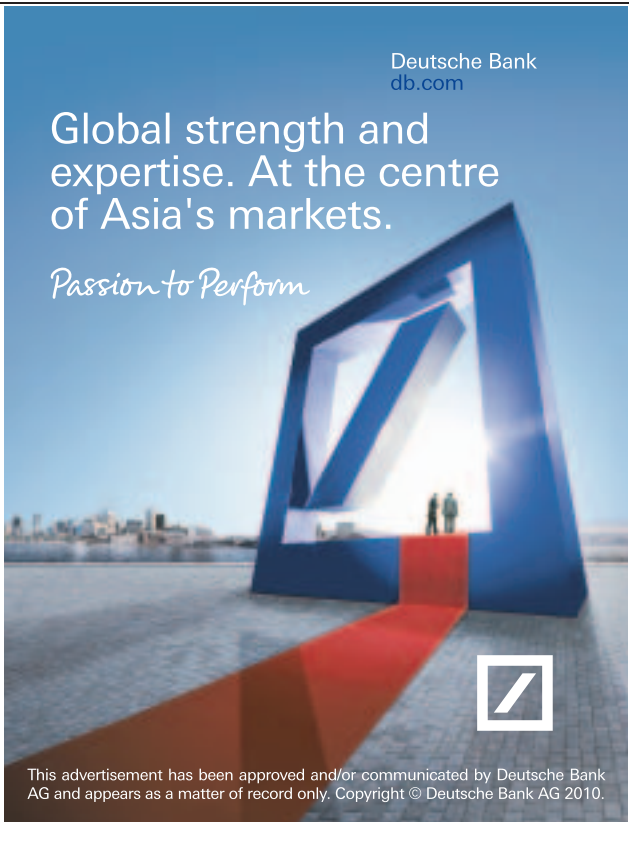
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What's News—

* * *

Business & Finance

■ **Japan plans to keep** a significant stake in the postal system while allowing it to offer universal financial services nationwide, setting back the efforts of previous administrations to privatize the huge financial organization. **4**

■ **Japanese exports jumped** in February, on stronger Asian and U.S. demand for autos and other goods. **4**

■ **Honda's orders** for its new hybrid sports car exceeded the company's monthly sales forecast by 10 times. **21**

■ **Most of Fujitsu's board** will resign in the aftermath of a public feud with its former president, in a rare wholesale change of a Japanese governing board. **21**

■ **BG and Cnooc signed** a 20-year sale-and-purchase agreement for liquefied natural gas from Australia's Queensland state. **24**

■ **Rising iron-ore prices** make a planned venture between Rio Tinto and rival BHP Billiton look less attractive, with some within the miner hoping competition regulators will scuttle the deal. **23**

■ **J.P. Morgan is nearing a deal** that would let it benefit from a tax refund of up to $1.4 billion, gaining from a little-noticed plank of an economic-stimulus bill. **34**

■ **U.S. durable-goods orders rose** 0.5% in February, while a sign of capital spending climbed, indicating U.S. businesses have confidence in the economic recovery. **5**

■ **U.K. Treasury chief** Alistair Darling delivered a budget including a modest spending package and a projection that Britain will be adding less to its record debt load than forecast. **6**

■ **Indian lawmakers** are preparing tax code changes that could change the status of Mauritius as a tax haven for foreign funds investing in India. **5**

Associated Press

A virgin goddess, or Kumari, looks up as she is being worshipped with other girls younger than 12 years of age during celebrations of Ram Navami in Kolkata, India.

■ **U.S. stocks declined** after a disappointing earnings forecast from General Mills. Shares rose in Tokyo as Nintendo said it plans a 3-D game console. **29**

■ **Portugal's credit rating** was cut to AA- by Fitch, which warned of another downgrade unless the government changes course. **6**

■ **Wynn Macau eked out** a small profit increase, though the recession, swine flu and mainland China visa restrictions weighed on revenue. **26**

■ **Australia's sovereign-wealth** fund ended talks with two Canadian pension funds over their plan to buy the toll-road operator Transurban. **27**

■ **International banks are hiring** fixed-income traders in Australia as rising interest rates there attract bond investors. **27**

■ **China Unicom net profit** fell 73% in 2009 from a year earlier on hefty start-up costs for its 3G mobile business. **22**

■ **Li & Fung 2009 net profit rose** 39% because of increased contributions from the Hong Kong trading firm's newly acquired businesses. **23**

* * *

World-Wide

■ **The trial of four Rio Tinto** executives, which concluded without an immediate verdict, illustrates the role of defense lawyers in China, where sensitive cases are still decided behind the scenes. **3**

■ **U.S. military leaders praised** Pakistan in testimony to a Congressional panel, saying the countries' partnership is more productive since Islamabad's campaign against Taliban insurgents.

■ **The Czech government agreed** to host in Prague next month a signing ceremony for a major new nuclear weapons reduction treaty between the U.S. and Russia.

■ **Two key Republican** negotiators on the Senate Banking Committee predicted that a broad U.S. financial overhaul bill will pass Congress by year-end. **WSJ.com**

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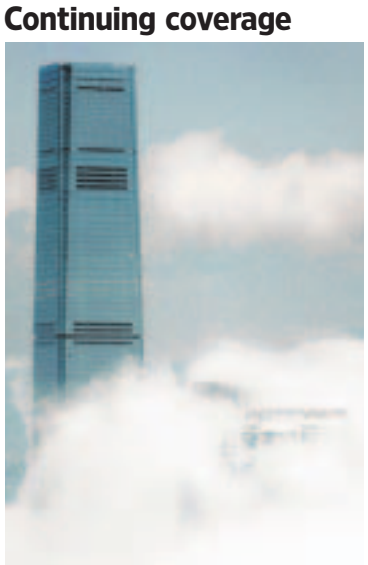

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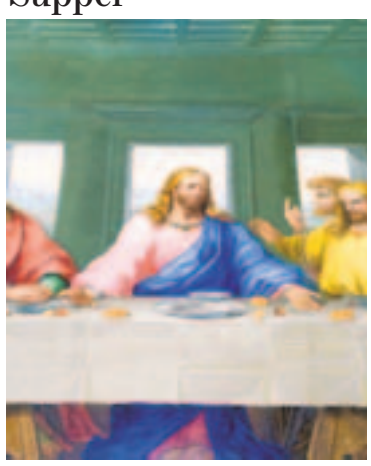

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WORLD NEWS

Rio case puts spotlight on lawyers

Defense attorneys in China face uphill battle getting their clients off the hook, taking on political risks

By Sky Canaves

BEIJING—The secretive trial of four **Rio Tinto** PLC executives in Shanghai, which concluded Wednesday without an immediate verdict, has illustrated the role of criminal defense lawyers in China, where sensitive cases are still decided behind the scenes despite official statements embracing the rule of law.

Chinese defense lawyers, unlike their more famous American peers, generally shun the limelight. They also sometimes expose themselves to political risk in sensitive cases, and—because of China's tightly controlled judicial process—lose nearly every case that goes to trial.

In the Rio Tinto case, even the identity of the attorneys representing Stern Hu, whose status as an Australian national has made him the best known of the four executives, had been a mystery outside the court. On Wednesday, an official at Shanghai No. 1 Intermediate People's Court, where the four were tried, identified Mr. Hu's lawyers publicly for the first time: Jin Chunqing, a partner at Fangben law office, and Shi Keqiang, of Shanghai's Er Li law firm. Mr. Shi confirmed the pair's role in a brief telephone interview, but declined to comment further.

Few details have been made public in the three-day Rio Tinto trial, which involved allegations that the four employees accepted a total of around $11.25 million in bribes and stole commercial secrets. Wednesday's portion of the trial, which lasted about a half day, involved the latter charge, and lawyers for two of Mr. Hu's three Chinese colleagues said afterward that their clients—Wang Yong and Ge Minqiang—had pleaded not guilty to the commercial secrets charge. The pleas of Mr. Hu and the fourth executive, Liu Caikui, couldn't be determined.

A verdict from the three-judge panel that heard the case isn't expected immediately, and analysts say it will almost certainly be determined after input from higher-level officials. The court hasn't commented on the case nor indicated when it will issue its verdict.

Chinese officials describe the country's criminal-justice system as transparent, impartial and independent. "China will handle the Rio Tinto case in light of China's laws and legal procedures," said foreign ministry spokesman Qin Gang at a regular news briefing Tuesday. "As to what evidence to be presented or whether the defendants' acts constitute crime, the court will decide independently according to law."

Observers say, however, that the deck is often stacked against defendants and their lawyers in China from the start. China courts have a remarkably high conviction rate for cases that are brought to trial: From 1998 to 2006, fewer than 1% of criminal defendants were acquitted. Lawyers' pretrial access to clients is generally limited, as is their ability to challenge the prosecution's evidence by calling their own witnesses or cross-examining those brought by the prosecution.

In the Rio Tinto case, lawyers representing some of the four executives said they received notice of Monday's trial date just days in advance, with little specific information about the proceedings.

Chinese defense lawyers typically face political pressure themselves in sensitive cases, partly because local governments that run the courts also handle the lawyers' annual license renewals. The lawyers often face a difficult choice between trying to vigorously defend clients—knowing that a guilty verdict is almost inevitable—or encouraging them to plead guilty in hopes of minimizing punishment.

"It's not an easy position," says Joshua Rosenzweig, a senior researcher at the Dui Hua Foundation in Hong Kong, which focuses on China's criminal-justice system. Even in cases where individual defendants express a desire to defend themselves, the courts will appoint a lawyer. "They're there because they're supposed to be there," says Mr. Rosenzweig. "It's important that it be perceived as a legitimate legal proceeding, and part of that is having a defense lawyer."

Associated Press

Defense lawyer Tao Wuping and an unidentified man enter the Shanghai court.

Little could be learned Wednesday about Mr. Hu's lawyers. Mr. Jin is a specialist in foreign-trade arbitration, while Mr. Shi once represented a former cook for Mao Zedong in a successful claim against a Chinese subsidiary of PepsiCo Inc. for unauthorized use of his photo to advertise Lay's brand potato chips. It wasn't clear how they came to represent Mr. Hu. Mr. Jin couldn't be reached Wednesday.

Initially, people familiar with the situation identified Mr. Hu's counsel as Charles Duan, a relatively prominent Shanghai lawyer, but Mr. Duan later denied that he was directly responsible for Mr. Hu's defense and that his role in the case was limited to assisting other attorneys on strategy.

Mr. Hu's Chinese colleagues have retained relatively well-known lawyers. Tao Wuping, who represents Mr. Liu, said his client had requested him. Mr. Tao, co-founder and managing partner of Shanghai-based Shenda Partners, said he relished the challenge presented by the case. Mr. Liu this week admitted to receiving bribes worth three million yuan, about $438,000, in the commercial bribery portion of the case, according to Mr. Tao.

Although better known for his civil cases, Mr. Tao has handled high-profile criminal trials. He represented a billionaire property magnate, Zhou Zhengyi, who was charged as part of a massive corruption crackdown in Shanghai. More recently, Mr. Tao represented a Shanghai dairy company executive charged with producing milk tainted with the industrial chemical melamine. Mr. Zhou and the dairy executive were both sentenced to years in prison.

Zhai Jian, who represented Mr. Ge this week, rose to national prominence in 2008 when he represented an accused cop-killer named Yang Jia in his appeal against the death penalty. Mr. Zhai sought to have Mr. Yang, who was reported to have been a victim of police brutality, declared mentally unfit to stand trial. The appeal wasn't successful, and Mr. Yang was executed. Mr. Zhai has also represented officials embroiled in a massive corruption scandal, a dentist charged with murdering his girlfriend's Taiwanese lover, and an American who was criminally charged with selling pirated DVDs.

Lawyers are sometimes reluctant to speak publicly about sensitive cases. In the Rio Tinto case, though, what little public information there has been has come from the lawyers—as well as Australian consular officials, who were allowed to observe the bribery portion but not the commercial-secrets part. The entire trial has been closed to foreign media.

Lawyers can find themselves on the wrong side of the law, too. In 2008, when a group of lawyers publicly offered their pro bono services to Tibetan defendants who had been charged in connection with rioting in Tibet, a number of them said they faced delays in having their licenses renewed.

Another recent case connected to a major mafia crackdown in southwest China also exposed the plight of China's criminal defense lawyers. In December, Li Zhuang, a lawyer at a well-connected Beijing firm, was arrested, tried and sentenced within weeks on charges that he encouraged his client, an accused gang boss, to commit perjury. Mr. Li initially pleaded not guilty and was sentenced to 2½ years in prison. He appealed and at the second hearing entered a surprise guilty plea. But when the judge returned the second verdict, reduced to 1½ years, a dissatisfied Mr. Li immediately recanted his guilty plea, claiming he had been promised a suspended sentence with no prison time. He is now serving his second sentence in prison.

The charges faced by Mr. Li were the subject of much criticism from China's defense bar. Mr. Li was charged under article 306 of the criminal law, dubbed the "lawyer killer" in Chinese, which targets lawyers by making it a crime to "destroy or forge evidence, help any parties destroy or forge evidence, or coerce or entice witnesses into changing their testimony in defiance of the facts or giving false testimony." While the language sounds reasonable on its face, critics have long contended that it is unfairly used to intimidate and harass defense lawyers, and in practice it isn't used against prosecutors.

—James T. Areddy and Bai Lin in Shanghai and Kersten Zhang in Beijing contributed to this article.

Google spat brings attention to Hong Kong

By Jonathan Cheng

HONG KONG—**Google** Inc.'s decision to redirect Chinese searches to its Hong Kong site highlights the freedoms enjoyed by this Chinese special administrative region while underscoring the political challenges the city faces as it grows closer to Beijing.

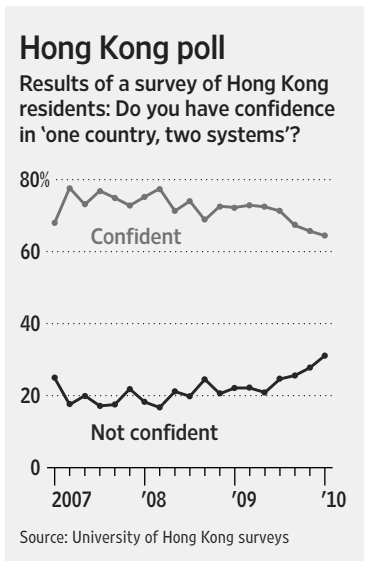
Hong Kong, a former British colony that reverted to Chinese sovereignty in 1997 and operates its own system of laws under a policy dubbed "one country, two systems," is an oasis of free speech within China. It has a freewheeling press and an uncensored Internet that made it a natural choice for Google as part of its withdrawal from mainland China.

"If we're like the rest of China, then we have nothing to offer," says Margaret Ng, a lawyer and veteran opposition lawmaker.

But she worries about pressure from Beijing to take away Hong Kong's freedoms. She also says she believes her email correspondence with political allies has been "hacked into" in the run-up to sensitive Chinese anniversaries and elections, though she concedes she has no proof.

Beijing has occasionally made its position clear on Hong Kong political affairs. When Hong Kong's opposition lawmakers staged a mass resignation this year to force citywide by-elections that they call a referendum on democracy, Beijing's State Council, or cabinet, issued a statement condemning the lawmakers. Pro-government parties promptly declared they would boycott the by-elections, which are scheduled for May.

Confidence within Hong Kong about its autonomy from Beijing remains high, but it is slipping. According to the University of Hong Kong, which has been tracking public opinion on Hong Kong's relationship with China in bimonthly polls since 1993, the proportion of people who say they lack confidence in "one country, two systems" has been rising over the past two years, and now sits at a five-year high of about one-third.



Economically, Hong Kong's reliance on favorable policies from Beijing has never been higher.

Chinese tourists have flooded the city's shopping districts thanks to moves by mainland authorities in China to relax travel restrictions for its citizens. Wealthy mainlanders are snapping up the city's priciest condominiums, buoying the property market. Meantime, listings by mainland Chinese companies have catapulted Hong Kong's stock exchange to the top ranks of global bourses while fueling a boom in the city's financial service industry.

Hong Kong's government tried in 2003 to pass a law that would define and outlaw acts of subversion and treason, but it withdrew the legislation following massive street protests. Still, Hong Kong's constitution requires that such a law be passed eventually.

The government is also drafting revisions to tighten laws on indecent and obscene materials in the press and online, which critics fear could be used as a rationalization for curtailing broader freedoms under the pretense of attacking pornography.

However, Charles Mok, chairman of the Hong Kong chapter of the Internet Society, a nonprofit organization based in Washington, D.C., says Google's move highlights the fact that within China, Hong Kong is uniquely free of political censorship and Internet filtering.

"It should remind people in Hong Kong that this is our competitive advantage," Mr. Mok says. "I'm hoping through this incident that Internet users in Hong Kong have a better appreciation of Internet freedom."

中国实时报
CHINAREALTIMEREPORT

The Wall Street Journal's China Real Time Report ***(http://blogs.wsj.com/chinarealtime)*** *this week looked at Chinese exporters' currency fears and the country's fuel-price policy. Excerpts:*

The stable-yuan lobby

For signs of when China will let its currency rise, investors look at the usual suspects, like the Chinese inflation rate or export growth rates. Another factor to consider: lobbying by Chinese industry groups.

A recent news briefing by the China Chamber of Commerce for Import and Export of Machinery and Electronic Products offered insight into why Beijing has kept the yuan largely unchanged against the dollar since July 2008, in spite of rising international calls for change.

The message was clear: The group's members would be hurt by an appreciation of the yuan and hope the Chinese government stands firm on the currency.

Chamber President Zhang Yujing stressed that strengthening the yuan now would have a more dire impact than in 2005, when Beijing revalued the yuan by 2.1%, then gradually appreciated the currency.

"A 2% [appreciation] magnitude at that time was bearable," he said. With the impact of the financial crisis, "I expect many companies won't be able to bear an appreciation now."

A sudden appreciation would turn some orders that had looked profitable into money-losers.

To illustrate: a Chinese exporter may be willing to sell a cushion for $1, or 6.83 yuan, when it costs him 6.50 yuan to make and ship it; a yuan appreciation makes it likely his outlays will exceed what he can make back.

A 3% revaluation would be "fatal," said Ye Lianghua, a deputy general manager of **China Ningbo Cixi Import & Export** Corp., which makes home appliances and lamps.

While such remarks and arguments probably won't find a receptive audience among U.S. lawmakers, they may resonate more with policy makers in Beijing worried about job losses and social unrest. Who says it's just in the U.S. that special-interest groups wield political clout?

—Terence Poon

Pump-price dilemma

To increase or not to increase? That is the question for China when it comes to domestic fuel prices.

How policy makers respond will give a good indication of their commitment to market-based energy pricing and an insight into their thinking about how dangerous they see the inflation threat to be.

State refiners want a more flexible system that would allow more frequent price adjustments.

The current system was intended to guarantee a profit margin for refiners, thus eliminating the need for government subsidies to cover refining losses.

But domestic fuel guidance prices have been frozen since November, and one head of a major China refinery says they are now equivalent to a crude oil price of around $67 a barrel.

To put refiners' plight in context, oil futures hit a two-month high around $83 last week.

Beijing may be reluctant to raise gasoline and diesel prices now because inflation is gathering speed. China's consumer-price index was up 2.7% from a year earlier in February, the fastest gain since November 2008.

"The policy tug-of-war will be how to balance the need to provide a benign margin environment for China's refiners to produce enough products to meet the insatiable demand—both organic demand as well as future stockpiling needs—versus providing a benign inflationary environment," said Paul Ting, a China-focused energy analyst.

—David Winning

Bloomberg News

Refiners want a flexible system that would let gas prices change more easily.

Tokyo details its plan for postal reform

By Tomoyuki Tachikawa And Atsuko Fukase

TOKYO—Japan's government said it plans to keep a significant stake in the postal system while allowing it to offer universal financial services nationwide, setting back the efforts of previous administrations to privatize the huge financial organization.

The blueprint of the postal-reform bill released by the Democratic Party of Japan-led administration showed the government will retain more than one-third of its shares in **Japan Post Holdings** Co., which would allow it to have veto power on decisions by the company.

And in a measure that would let financial firms affiliated with the postal system raise more funds, the government said it plans to raise the limits on how much money customers can put in postal savings accounts and insurance.

Keeping control

■ The state can block decisions at the postal service units. 35

Tokyo will double the deposit ceiling limit on postal savings to 20 million yen ($221,214) per customer. The government also said it will lift the 13 million yen upper limit on postal insurance payments to 25 million yen. The government aims to submit the proposal by mid-April.

The plan comes amid strong criticism from private-sector groups such as the Japanese Bankers Association and the Life Insurance Association of Japan.

The government decided to review postal reform because of concerns it is hurting postal and financial services in regional areas of Japan, weighing on their economies.

"Government support is necessary" for Japan Post to contribute to revitalizing the regional economies, Banking and Postal Reform Minister Shizuka Kamei said at a news conference Wednesday. "We would like Japan Post to fulfil the role that Japanese people hope" it will fulfill.

The chairman of the Japanese Bankers' Association, Katsunori Nagayasu, said at a news conference Tuesday that a plan allowing the financial giant to further expand its business would have a negative impact on regional financial institutions, particularly as customers tended to shift their deposit into the government-backed bank during the financial crisis.

"The competitive environments are different," the chairman said, adding that Japan Post's business expansion shouldn't be allowed.

While Japan Post Bank currently doesn't have a lending business, the plan raises the question of what the mammoth government-owned financial conglomerate will do with the world's biggest assets, totaling about 300 trillion yen. Entering a new business such as the mortgage business is a likely option.

By raising the deposit ceiling limit on postal savings and postal insurance payments, Japan Post also might have to review how it allocates its massive assets. Currently, nearly 80% of Japan Post Bank's funds go toward buying Japanese government bonds. Japan's vice banking minister Kohei Otsuka said at a news briefing that the government acknowledged that Japan Post shouldn't be an organization that is propping up the JGB market. It now holds about a third of the nearly 700 trillion yen market.

Japan began a 10-year process of privatizing postal services in October 2007, as laid out by the former administration of Junichiro Koizumi.

Japan's exports surge on strong Asia, U.S. demand

By Andrew Monahan

TOKYO—Japanese exports jumped in February, as stronger Asian and U.S. demand for autos and other goods continued to underpin growth in the world's second-largest economy.

Exports increased 45.3% from a year earlier to 5.129 trillion yen ($56.73 billion), Ministry of Finance data showed Wednesday. That marked the third straight monthly rise following a streak of falls since October 2008, although it was slightly below the average forecast for a 47.3% increase in a poll of economists by Dow Jones Newswires.

The result bolsters the view that the nation's economy is unlikely to tip back into recession, as brisk overseas demand continues to help companies compensate for sluggish domestic sales, analysts said.

In another positive sign for the export-driven economy, orders from the U.S. for autos and other goods rose in February, adding to strong demand for cars, electronics parts and construction materials from China and other high-growth Asian economies.

"February's results show that the recovery in exports is intact, and that implies benefits for Japan's domestic economy such as possibly healthier business investment ahead," said Norio Miyagawa, economist at Shinko Research Institute.

Leading the recovery in overall exports was a 55.7% rise in shipments to Asia, to a total of 2.776 trillion yen. Auto exports to China surged, leading a 47.7% climb in overall exports to that country, to 902.4 billion yen, the data showed.

With overall exports continuing to exceed imports, the February merchandise trade balance logged a 651 billion yen surplus. That was nine times the 70.8 billion yen surplus in February 2009. Economists surveyed by Dow Jones Newswires and the Nikkei had on average expected a 550 billion yen surplus.

Exports to the U.S. were up 50.4% to 837.1 billion yen, pushed higher by brisk auto shipments, which more than doubled.

Although analysts said **Toyota Motor** Corp.'s recall problem could still weigh on auto exports to the U.S. ahead, there was "no clear negative impact from the Toyota issue" this time, a finance ministry official said.

Still, analysts said other factors, such as any slowdown in the global economic recovery, could limit future export gains.

On a seasonally adjusted basis, February exports were down 1.7% from the previous month, the data showed.

'February's results show that the recovery in exports is intact,' said an analyst at Shinko Research Institute.

The one-month drop could be an early sign of slower global growth ahead, some economists said. While it didn't signal a major threat to Japan's economy, the seasonally adjusted fall did suggest "the relatively rapid pace of recovery in exports thus far may begin to soften," said Hiroshi Watanabe, an economist at Daiwa Institute of Research.

Japan's dependence on overseas shipments for growth leaves it vulnerable to shocks that could trigger an export slowdown, analysts said. Particularly troubling would be if China's authorities were to sharply tighten monetary policy.

That could chill the surging Chinese economy and push down demand for Japanese construction materials, electronics and other goods, said Toshihiro Nagahama, chief economist at Dai-ichi Life Research Institute.

But for now, the continued rebound in exports is encouraging Japanese manufacturers to acquire more materials for production, analysts said.

WORLD NEWS

Tax plans could hit India investors

Proposed changes in laws could alter the status of Mauritius, which is popular with foreign funds as a haven

By Ellen Sheng

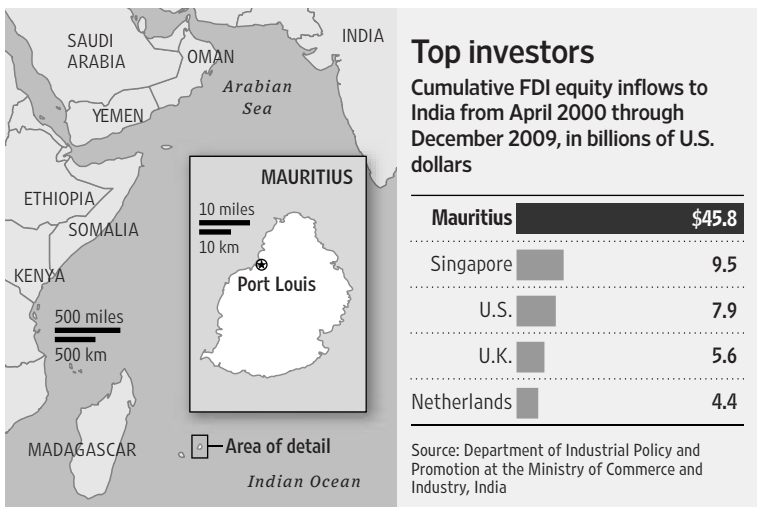
HONG KONG—In a move that could have wide-ranging impact on foreign investment into India, Indian lawmakers are preparing to introduce a new tax code next year that could change Mauritius' status as a tax haven for foreign funds investing in India.

The proposals are part of efforts by Indian regulators to raise more tax revenue from the financial services sector. The proposals, which are currently in a comment period, cover a wide variety of measures including a draft bill to override the tax treaty with Mauritius.

That bill would have a significant impact on investments coming into India as currently 80% to 90% of foreign investment into the country flows through Mauritius, a small tropical island off the coast of Africa.

"In its current form [the tax proposals are] onerous and can impact foreign investment into India," said Akil Hirani, managing partner at Majmudar & Co. in Mumbai. "However, because the Indian economy is on an upswing, investors may, nevertheless, [continue to] enter India," he added.

Many private-equity, hedge funds and mutual funds that invest into India through Mauritius stand to be affected, such as **Airisaig Partners** and **Kotak Mahindra Asset Management**.



Top investors

Cumulative FDI equity inflows to India from April 2000 through December 2009, in billions of U.S. dollars

Mauritius	$45.8
Singapore	9.5
U.S.	7.9
U.K.	5.6
Netherlands	4.4

Source: Department of Industrial Policy and Promotion at the Ministry of Commerce and Industry, India

Brevan Howard Asset Management LLP, Europe's largest hedge-fund manager, last year set up two funds in Mauritius to hold Indian investments for its flagship Brevan Howard Master Fund.

Regulators "see so much Indian investment coming through foreign institutional investors and private equity, all through Mauritius ... and see it as a revenue loss. They want to try to capture that on some level," said Roshan Thomas at Lexygen, an Indian law firm.

According to Eurekahedge, some 42% of India-investing funds are currently domiciled in Mauritius, while 27% of funds are domiciled in the Cayman Islands.

Industry insiders say funds already domiciled in Mauritius aren't fleeing but have been examining alternatives, such as Cayman or Singapore, while some start-up funds are looking at other locales.

"Funds are still in a watch-and-wait game. For a few years now, the Indian government has been rattling sabers and raising questions about why this should be going on," Mr. Thomas said. "But there's been a fair amount of pushback from the Mauritius government."

Industry watchers say various Mauritian ministers and the prime minister have been visiting India regularly, but that Indian officials are on a mission to raise revenue. Mauritian government officials declined to comment on the tax treaty with India.

Under the current double taxation treaty, capital gains on Indian shares that are held by a Mauritian company aren't subject to Indian tax. Mauritian companies are simply taxed according to Mauritius tax laws, which are extremely favorable.

Hoping to raise some revenue, Indian lawmakers have introduced new provisions that have caused an uproar among the foreign investment community. One is a draft bill that could override current tax treaties that exclude investment firms from paying a capital-gains tax. Another is a proposed flat tax rate of 30% on capital gains.

"We are trying to inform clients that there is this whole dialogue going on and that changes are likely," said Mr. Hirani.

He sees a 50% chance that the tax treaty with Mauritius will be changed next year. Indian authorities want to bring some revenue in, he said, and it is likely the new direct tax code next year will have a treaty override, meaning tax treaties will need to be renegotiated.

If that happens, Indian authorities would likely introduce a 10% to 15% capital-gains tax on funds domiciled in Mauritius—putting it in line with other jurisdictions, Mr. Hirani said.

The move to change Mauritius' tax treaty with India come as governments around the world look for ways to raise money to pay for stimulus moves during the global economic slump. Hedge funds, in particular, have been facing scrutiny as the sector was widely blamed for pushing stock markets lower as the global financial crisis deepened.

Under the current double taxation treaty between the two nations, capital gains on Indian shares that are held by a Mauritian company aren't subject to Indian tax.

In India, the proposed tax changes are also a sign of the government's desire to exert greater control on offshore money flowing into the country. Regulators have made moves limiting the use of promissory notes in order to increase market transparency.

These promissory notes, or P-notes, have been widely used by foreign investors that haven't registered with Indian regulators, allowing them to buy shares anonymously.

U.S. businesses lift durable goods again

By Darrell A. Hughes And Jeff Bater

U.S. durable-goods orders rose a third straight month in February, while a sign of capital spending climbed, indicating U.S. businesses have confidence in the recovery.

Separately, sales of new homes in the U.S. fell in February primarily because of snowstorms and layoffs.

Manufacturers' orders for goods designed to last at least three years increased 0.5%, to a seasonally adjusted $178.12 billion, the Commerce Department said Wednesday.

If not for the defense sector, durables would have gone up much more. Defense-related capital-goods orders fell 4.5%. Excluding defense, all other durable goods rose 1.6% in February, after climbing 1.7% in January.

Overall January durables surged ahead 3.9%, revised from a previously reported 2.6% increase. Economists surveyed by Dow Jones Newswires had forecast durables would climb 0.7% in February.

Orders for nondefense capital goods excluding aircraft increased by 1.1% last month. The orders are seen as a barometer of capital spending by businesses. Business spending on equipment and software has risen significantly, Federal Reserve policy makers said last week in a statement on their latest meeting over rates and the economy.

Nondefense capital goods excluding aircraft shipments, used in calculating gross domestic product, increased 0.8%, a positive sign for the economy in the first quarter.

The 0.5% increase in overall durables last month marked the third climb in a row. Unlike some sectors of the economy, such as housing, factories are doing well.

Manufacturing payrolls actually grew last month, while overall employment and construction jobs each fell, according to Labor Department data. The Institute for Supply Management says manufacturing has grown seven months in a row.

A sign of future demand in the factory sector, unfilled manufacturers' orders, rose 0.4% in February, the second increase after a record 15 straight declines, Wednesday's durables data showed.

Demand for single-family homes decreased 2.2% from the previous month to a seasonally adjusted annual rate of 308,000, setting a new record low, the Commerce Department said. Records began in 1963. Economists surveyed by Dow Jones Newswires had estimated sales would rise 1.9%.

Though it is closely watched by economists, the new-home sales report is volatile at this time of year because it is based on a particularly small sample during housing's slow winter season. The government said it was 90% confident that the true change in new home sales in January was between minus 17.5% and plus 13.1%.

Year-over-year, sales were lower by 13% from February 2009—despite a big government tax credit. Buyers are passing up on new homes in favor of cheaper used homes.

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WORLD NEWS

Darling outlines Labour budget plan

Chancellor's proposal aims to nurture a fragile economic recovery with modest spending and no major cutbacks

By Alistair MacDonald

U.K. Treasury chief Alistair Darling, attempting to strike a tricky balance between pleasing voters and international markets ahead of a spring election, delivered a budget that included a modest spending package, a dearth of major spending cuts and a projection that Britain will be adding less to its record debt than forecast.

The budget had few surprises and mainly acted to set out the ruling Labour government's approach to the coming election campaign.

Labour plans to emphasize its plan to nurture the fragile British economy through a still-uncertain recovery, cutting spending far more slowly than the opposition Conservatives, who say quicker and more aggressive budget-cutting is needed to tackle a big budget deficit.

That sets up an election battle, in which the Tories will need to convince voters that the U.K.'s worst post-World War II recession was caused by Labour policies, and that servicing the vast resulting debt will drain the economy and frighten investors if it isn't dealt with swiftly.

The budget's largely neutral nature was reflected in the mixed but mainly muted response of financial markets, where the pound edged down a touch, government debt prices fell and stocks were largely unmoved.

Bloomberg

Alistair Darling holds up the Gladstone dispatch box containing the 2010 budget outside 11 Downing Street in London.

"The whole [budget] speech was a long-winded way of saying 'Don't let the other lot mess things up' and is aimed at sending all the right messages to Labour's core voters—who are still far less likely to vote than wealthier voters," said Andrew Hawkins, chairman of political pollster ComRes.

David Cameron, the Conservative leader, quickly dismissed the budget as doing little to tackle Britain's debt. "The chancellor spoke for an hour, he could have done it all in a sentence: Labour have made a complete mess of the British economy and they are doing nothing to clean it up," he said.

Mr. Darling stuck to a Labour script that says government spending has saved the country from the worst of the recession and will help induce a recovery. Key to Labour's approach is that the rich should help the poor in times of hardship.

He largely avoided the British pre-election budget tradition of giveaways. The marquee announcement was the elimination, for two years, of a sales tax for first-time home buyers on all properties costing up to £250,000 ($376,150)—to be financed by doubling the stamp duty to 5% on sales of all properties costing more than £1 million from next April. The move will appeal to the more likely Labour supporters and open any Conservatives who threaten to reverse the policy to old accusations of favoring the rich.

Mr. Darling said that at the heart of his budget plans is a £2.5 billion "one-off growth package—to help small business, promote innovation, invest in national infrastructure and key skills." That will be paid for by reallocating current spending and from £2 billion in additional revenue from a tax on bankers' bonuses.

Wednesday's tax changes join a host of increases unveiled in the last spending review, including a rise of five percentage points in the highest rate of income tax. "Those who have benefited the most from the strong growth in incomes in past years should now pay their fair share of tax," Mr. Darling said.

The Treasury chief had some good news for markets, saying that borrowing would be less than previously forecast in every financial year from 2009. In the 2009-2010 budget, for example, projected borrowings will be £167 billion rather than £178 billion. By 2013-2014, total borrowing will be £100 billion lower than projected last year.

After a decade of high public spending and a bill from the recession of billions of pounds, the U.K. faces one of the world's biggest deficits—about 12% this year. But economists immediately said that the lower projections, though welcome, won't be enough and that whoever wins power must unveil some harsh spending cuts or tax rises.

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Fitch downgrades Portugal's rating

By Clare Connaghan

LONDON—Fitch Ratings lowered Portugal's sovereign credit rating by one notch to AA-minus Wednesday and warned of another downgrade unless the government changes its fiscal course.

The news hit the euro, which was already under pressure as traders placed bets that a European Union summit taking place later this week won't find an agreement on how or whether to help troubled Greece.

The currency had already hit a 10-month low against the dollar in early trading, despite a dose of positive economic data.

In a further negative sign, the cost of insuring Portuguese sovereign debt against default rose to its highest level in more than two weeks.

According to data provider Markit, spreads on the country's five-year credit-default swaps—a key measure of credit risk—are now at 1.39 percentage points, after closing Tuesday at 1.34 percentage points. That means the annual cost of insuring €10 million ($13.5 million) of Portugal's government debt against default for five years has risen €5,000 to €139,000.

Fitch said the downgrade reflects significant budget underperformance in 2009 and warned that another downgrade could come if a similar situation exists in 2010 and 2011.

In response to the action, the Portuguese government said it remains committed to carrying out its plan to slash the budget deficit and meet European Union rules.

The Finance Ministry added that "it is crucial that, starting now," the government and parliament give "unmistakable signals of the political stability and consensus that are necessary for the rapid implementation" of budget-adjustment policies.

Fitch's outlook is negative, reflecting "concern about the potential impact of the global economic crisis on Portugal's economy and public finances over the medium term, given the country's existing structural weaknesses and high indebtedness across all sectors of the economy."

The news pushed the euro to its lowest point of the day against other major currencies as the downgrade reminded investors that other euro-zone countries aside from Greece are also feeling the strain from debt burdens.

The euro traded at a low of $1.3342 against the dollar, from a high of $1.35 in Asian trading hours.

"This news about Portugal is not going to sit well with the markets," said Phyllis Papadavid, a currencies analyst at Société Générale SA in London. "The reaction in the euro was not particularly sharp, as some people had expected a downgrade. So it wasn't a huge surprise, but nonetheless, the markets are worried about it."

—Jeffrey T. Lewis in Lisbon and Katie Martin and Ainsley Thomson in London contributed to this article.

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The Business of Football

What business can learn from football

Player risks are a very big part of the game and you must learn how to manage them

How to cope when disaster strikes a team; insurance is only half the answer

By Catherine Bolgar

What do Fabio Aurelio, Wes Brown, Cesc Fabregas and Louis Saha have in common? They're all key players on Barclays Premier League teams and they've all been on the injured list recently.

Footballers are humans — they break down. When it comes to injuries, football looks a lot like business. A product has to be recalled. A fire destroys a key factory. Despite the best-laid plans, disasters strike. In both cases, risk management and business continuity planning go a long way toward reducing the damage.

Injury "is a well-understood risk in the Premier League because clearly it happens a great deal," says Martin Caddick, director of business continuity services at PricewaterhouseCoopers in London. Training routines are designed to lessen players' vulnerability to injury, and teams offset the inevitable blow with insurance and backup players.

Similarly, companies try to reduce risk and minimize disruptions in their operations, supply chains, distribution, etc. For companies, the opportunities for breakdown are complex and often hard to spot. In football, the supply chain is pretty transparent: the key input is player talent, and the suppliers of it are all first tier — there are no secondary suppliers. The lessons from football therefore offer distilled examples of risk management and business continuity for companies.

Lesson 1:

Some risks can't be insured. Sometimes the cost of an injury "is far worse than just the immediate losses," Mr. Caddick says. Insurance may pay wages for a player who's injured, but it doesn't cover the incalculable cost of games the team might lose because that player is out of action. Similarly, a company might insure against natural disasters like storms or earthquakes, but it can't undo the blow to its image caused by interrupted service.

Fabio Aurelio, the Liverpool midfielder, was out for much of the 2006-2007 season because of injuries. He came back to score two of three goals in a league match against Bolton in 2008, but new injuries have limited his appearances this season.

Midfielder Cesc Fabregas is Arsenal's captain, top scorer and leading assist-maker so far this season. He has been out with the reappearance of a hamstring injury he suffered in December, and no return date is set.

"A club can't get compensation for not getting a star's scoring goals," Mr. Caddick says. "That's the strongest lesson for business: the tendency in business to believe that insurance is the answer for many ills, particularly if you think about brand value. If Manchester United lost a player like Wayne Rooney, what impact has that got on their brand appeal?" Mr. Rooney is one of the club's top scorers, racking up all four goals in a 4-0 win over Hull City earlier this year.

Christopher Serra

Lesson 2:

Succession planning is essential. "Stars are unique in their capability and level of skill. In many ways, it's the same in business," says Hans Westerbeek, director of the Institute of Sport, Exercise and Active Living at Victoria University, Melbourne. "Corporate stars are the ones you paid big bucks for because more than others they can help the organization to success."

When star players are hurt or leave the team for whatever reason, "it is the time that new leaders or stars stand up and are counted for," Prof. Westerbeek says. He cites Arsenal Manager Arsène Wenger "as someone who is continually looking at the short and long term. He brings players in at a young age, nurtures and develops them out of the limelight and puts them in the main game in a targeted and balanced timeline rather than throwing them in at the deep end."

The upshot is that "what may seem like a stroke of short-term brilliance and luck when a new star is born is actually a result of anticipating potential problems and preparing for them," he says.

Lesson 3:

Understand your risk tolerance. Sometimes avoiding risk is worse than the worst-case scenario, notes Mr. Caddick of PricewaterhouseCoopers. Some of the bigger teams have enough men for an entire second team of top-quality, international-level players, who are receiving vast salaries without seeing much action. Salaries are a club's biggest expense, and what "pushes some clubs into massive debt and potential bankruptcy, which is worse than losing a few games," he says.

"A club can't get compensation for not getting a star's scoring goals."

Portsmouth took big risks, taking on star players starting around 2002. At first it paid off—the club was promoted to the Premier League in 2003, its rise culminating with the 2008 win of the Football Association Challenge Cup. But the club's debt grew, and in February Portsmouth ended up the first Premier League club to enter bankruptcy proceedings.

In business, Mr. Caddick says, the analogy would be winning new markets but not being able to sustain the costs incurred.

Businesses need to think about the wider impacts of what they're doing and the level of risk they're willing to accept, Mr. Caddick says. "Risks are part of the game. You can't stop a player from being injured. You can reduce that risk, make it easier to recuperate, but you can't stop it."

At the same time, companies need to balance caution and optimism. While an overly optimistic business or football club

might spend too much for expansion and acquisitions, an overly cautious one will fail to position itself for growth or to seize new opportunities. A club that is worried about relegation will avoid long-term player contracts that will lock it into big salary payments. But that will make it difficult to sign on the kinds of stars that could turn around the team's record or bring in a bigger fan base. In a way, planning to reduce the pain of relegation almost destines the club for being dropped from the Premier League. It becomes a self-fulfilling prophecy, Mr. Caddick says.

It's the different between risk management and business continuity, he explains. The first is protecting yourself against the bad things that might happen, and the second is protecting what's important to you. Businesses need to balance the two.

Lesson 4:

Capacity utilization needs to be calibrated. Some clubs have 50 or more players, though they only have to send out 11 on the pitch, with five substitutes. "They can carry quite a lot of injuries," says Chris Green, author of "Every Boy's Dream: England's Football Future on the Line" and "The Sack Race: The Story of Football Gaffers."

At the same time, those clubs face a challenge of blending so many backup players into the main rotation. The group that's likely to hit the pitch at the next game wants to work together to prepare, but that risks leaving dozens of other players out of the loop, which could demotivate them. "If you have too many players, how do you hope to keep even half of those integrated in the first team?" Mr. Green asks.

"The mindset of every game matters. You're not just competing against the best players in the world," he says. A good manager must "develop the mentality that's going to get them [the backup players] there."

Strategic use of backup players also can keep stars out of danger's way until a more critical moment. Sir Alex Ferguson, manager of Manchester United, decided in the Carling Cup Final against Aston Villa to put Michael Owen on the starting team rather than Wayne Rooney. "In dropping Rooney, people thought Ferguson was crazy," Mr. Green says. "But he gave Rooney a rest and gave him the best sub he could have done." Mr. Owen scored but left the pitch halfway through the game with an injury. A fresh Mr. Rooney replaced him and scored the winning goal.

Losing Mr. Rooney altogether would be a different story. "One strategy is to avoid having those key dependencies altogether. Instead of having one star player, you take more of a team approach," says Mr. Caddick of PricewaterhouseCoopers. "Take Aston Villa. They have a squad that plays really well together. They're more resilient against injury than a star-based team."

The lesson for business: running at full capacity might seem like the best use of resources, but it raises the risk of breakdown and it keeps the organization from finding new sources of growth. Likewise, the dustbin of history is cluttered with companies caught by surprise when new technology made their main business obsolete. "Businesses should avoid really unique dependencies, like one product or one product line," Mr. Caddick says. "It counters any eventuality that might happen to your club or company so it's not going to kill you."

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Hot watches

Taking the temperature of the dominant trends at this year's Baselworld watch and jewelry show

Photo illustration by John Kuczala

From left to right: Patek Philippe Ladies First Chronograph (rose gold); Omega Central Tourbillon Co-Axial Platinum Limited Edition; Ulysse Nardin El Toro; Hermès Clipper Chronograph Titanium, and Bulgari Diagono Calibro 303 Chronograph.

By Ken Kessler

The watch industry's most successful and most coveted timepieces—the classics like Patek Philippe's Calatrava, Jaeger-LeCoultre's Reverso and myriad Rolexes—are continually refined designs that pre-date 1960. And yet the watch-making community feels compelled—year in and year out—to introduce new models.

Because of the recent boom in quality wristwatches and the increased appreciation of them, there has been feverish activity on every level of the industry over the past 20 years. Companies are falling over themselves to deliver what they call "novelties." Consumers have been inundated with oversized watches, rubber straps, updated retro, revisions to blue-chip classics, black-coated watches, diving watches, anniversary models and other limited editions.

What's so refreshing, though, is the way the watch industry handles trends. In direct contrast to the world of haute couture, once watch trends are established, they don't fade away after a season or two. As a result, nearly every one of the above watch types is now standard fare in most catalogues. Brave is the house that, for example, lacks a high-priced diving watch on a rubber strap.

Conversely, you have to admire manufacturers who specialize in specific areas, and can thus avoid the race for novelty value. Every Panerai, for example, is built for use by divers. However complicated the model, the brand never veers from this original, military-sourced raison d'être. Blancpain insists it will never succumb to quartz. British maker Bremont refuses to use watchcases made from precious metals because its watches are aimed at pilots and divers.

With the effects of the economic crisis still being felt throughout the watch world, a modicum of restraint is being exercised.

One of the hottest trends is for ultra-thin watches. It's symbolic of a move away from the egotism displayed by the watches of recent years and toward embodying a sense of restraint and discretion.

Because plans hatched before 2008 are only now coming to fruition, there will not be a shortage of models with six-figure price tags. But apart from these examples that appear to be running counter to the global condition, there's a spirit of sensibility, maturity and self-control absent during the previous 15 years.

Take, for example, the continued drive toward the production of in-house movements. Unlike other industries that have no qualms about outsourcing components—Pagani's outrageous, highly coveted Zonda, for example, uses a Mercedes engine and no one complains—the watch industry is obsessed with what it calls "manufacture" status. This means, simply, that the company produces its movements in-house. And it doesn't even have to make all of the movements it uses: one will do. The fact remains that probably 80% to 90% of all the watches produced in the world use movements sourced from a third party—more often than not that will be Swatch Group. And they're still fine watches.

Highly respected watch companies with legacies going back more than a century have been stung by snide criticism of their "non-manufacture" status.

A more important driver of this trend is the fact that the production of one's own movements enables a watch brand to exercise some independence from its suppliers. Breitling, which celebrated its 125th anniversary in 2009, marked the event with the launch of its own BR01 movement. TAG Heuer, which is celebrating its 150th anniversary at this year's Baselworld, will feature new models powered by its Calibre 1887 movement.

Although they have less to prove, major houses with irreproachable "manufacture" status also have new movements to crow about, including Patek Philippe, which will house its new chronograph movement in both gents' and ladies' models. Zenith, which produces the fabulous El Primero automatic chronograph movement—it powered Rolex's Daytona for years—will show an entire collection formed in the vision of its new chief executive, Jean-Frédéric Dufour. Mr. Dufour has reined in the styling in keeping with the end of the age of excess while reflecting Zenith's heritage and is also introducing a mechanical chronograph able to record time in 1/10th of a second increments.

Another welcome trend that shows no let-up is that of fashion brands swapping quartz-driven models for serious timepieces housing the sort of movements that garner praise from even the snootiest of connoisseurs. Dior, Chanel and Ralph Lauren all produce models with movements that certainly qualify as "haute horlogerie," thus eliminating any resistance to their wares on the grounds of poor internals. Hermès will unveil a stunning sport chronograph in its Clipper range at Baselworld, Harry Winston will launch the next in its adventurous Opus range, and Bulgari's big news is the absorption of the legendary Gérald Genta and Daniel Roth brands into the luxury jeweler's stable.

Just as the Italian supercar industry is wedded to high speeds, the top-end watch brands cannot escape the lure of the tourbillon. A function designed to ensure that pocket watches were immune to the effects of gravity, their sole purpose is akin to the rarely reached top speed of a sports car: it merely makes a statement. Even so, tourbillons remain the "must-have" complication, the beacon at the top end of the market, an exercise in mechanical virtuosity.

As Jean Dunand only produces tourbillons, the all-new, blindingly radical Palace can be forgiven for its inclusion. The rest of the watch is so dazzling that the tourbillon is secondary, and should not overshadow its other, more clever details. As for Breguet, it too can be forgiven for not holding a launch without a tourbillon. After all, the company's founder invented them.

Mr. Kessler, a writer based in Canterbury, U.K., was formerly a dealer in vintage watches.

Tips on how to build a timepiece collection

By Ken Kessler

There is only one useful indicator of a man's self-image: his wristwatch. Once that jacket sleeve creeps up, the sole piece of acceptable jewelry beyond a wedding ring reveals the wearer's sense of taste and occasion. Watch sellers employ a logical Italian dictum: a well-dressed man owns at least three timepieces. The day watch is most important: it is the watch that suits your occupation. If you're in finance, sobriety is all your watch must offer beyond the time. If you work in the media or the arts, you can be more eccentric. If your occupation involves specific tasks—from ambulance driver, to insurance broker, to 747 pilot—then, just as with iPhone apps, "there are watches for that."

For watch No. 2, you have more scope. This is your dress-down timepiece, worn everywhere from the beach to the ski slopes or for pottering around in the garden. Whether a sub-£50 Swatch, or a close-to-unbreakable Rolex, it will mean you don't have to worry about a quick dive in the pool or a round of golf.

Last is the dress watch. If you find yourself wearing black tie more than once a year, or if film premieres, opera visits or smart restaurant bookings keep appearing in your diary, your day watch may lack occasion. For this final part of the trilogy, you may go one of two ways: a classical, slim, time-only gold dress watch—or blatant bling. Where to start?

Buying well is the key, and it's not as tricky as you might think. As master watchmaker Peter Roberts observed: "There really are no bad watches out there, because they all have to perform the same basic function and perform it well: tell the time."

Established brands offer watches that will keep you reliably informed of the time for the rest of your life. Quality mechanical watches start for under €500 ($683) from makers such as Tissot, Seiko and Victorinox. "Serious" watches start at around €1,000 to €1,500, while a modicum of exclusivity begins above €3,000. To dabble at the high-end of the watchmaker's art, expect to part with at least €5,000. And if you want to wear something unlikely to be seen on the wrist of a fellow guest at a dinner party, start thinking €15,000 and above. This gets you into the arena populated by brands such as A. Lange & Söhne, Breguet and Patek Philippe among others.

For the extra outlay, you get more in the way of "complications," the watchmaker's term for any function beyond displaying the seconds, minutes and hours. The most common and useful are the ability to display the date, followed by day of the week, month and year. The most popular functions among collectors are dual time-zones, moon-phases and chronographs. It's a given that the cases will be gold or platinum. Above this, where the cognoscenti prowl, prices reach six figures for perpetual calendars, tourbillons and minute repeaters.

"Pre-owned" is the euphemism for second-hand watches. As with exotic cars, someone bought an esoteric watch, grew bored and traded it in after a short period. And like cars, watches—unless they are very special—do not appreciate in the short term. Thus, you have dealers such as David Duggan and the Watch Club who are able to sell you pre-owned watches, with boxes and papers, for truly substantial savings. The downside is that you are not buying from a "main agent."

The tag "vintage" is arbitrarily bestowed on anything over 25 years old. Vintage watches can only really be acquired by being in the right place at the right time. However much your heart may be set upon a 1930s rose-gold Rolex Bubbleback, you cannot go to your nearest dealer and order one as you would a Rolex DateJust.

But it is also worth keeping in mind the only two real truths about the watch market:

—If you buy with an investor's mindset, only two brands are immune to fashion and depreciation in the long term: Patek Philippe and Rolex.

—And, if you want only one watch to keep you happy forever regardless of the occasion, there is a timepiece that is immune to snobbery, criticism, taste or quality issues. It's the Zippo lighter or the BMW 3-series of watches: a stainless steel Rolex Air-King.

WSJ.com

Online today. See the full report from the Baselworld watch extravaganza at **WSJ.com/fashion**

Do's and don'ts of watch buying

1 Only buy watches you want to wear. That way you'll never feel like you're stuck with an "investment piece."

2 Buy from a reputable retailer. This will ensure you'll enjoy decent after-service care. Also, it's the only guarantee that you're not buying a fake. Some rip-offs are so convincing that only a watchmaker can spot the difference.

3 Be nice. If you form a rapport with a retailer, the store will look after you over the years, even helping you to upgrade or trade-in watches while reducing the sting of depreciation.

4 If you're relatively unadventurous, look to the established brands. Patek Philippe, Jaeger-LeCoultre, Audemars Piguet and Vacheron Constantin among others. They haven't survived for one or more centuries through luck. They also enjoy better resale value if you need to part with them.

5 Be conservative. Nothing dates more quickly than a radically styled watch.

6 Don't buy quartz watches except for knock-around purposes. Regardless of the price —from £2 to £2 million—the movements are disposable and, after a while, irreparable.

7 If funds are limited, choose a watch with a strap over one with a bracelet. Bracelets add considerably to the cost. A good watch on a strap is better than a so-so watch on a bracelet at the same price.

8 When buying new, keep all the paperwork and boxes.

9 When buying a vintage watch, ensure that there is a guarantee of at least six months if the watch is being sold as serviced. The phrase "as seen" should act as a red flag warning not to buy unless you have a watchmaker at your elbow to advise you.

10 When buying at auction, attend the viewing beforehand to see and handle the target of your bidding. Some auction houses will provide a condition report a few weeks ahead of the auction.

—Ken Kessler

A hot half dozen for 2010

From top to bottom:
- Grimoldi BO2
- Breitling Colt GMT+
- TAG Heuer Silverstone
- De Grisogono Instrumento Grande Chrono
- Bremont Supermarine Descent
- Longines Lindbergh Atlantic Voyage

John Kuczala

Breitling Colt GMT+

Able to tell the time in two zones, thanks to a highly visibly fourth hand and a 24-hour inner chapter ring, the 41.3mm-diameter Breitling Colt can also withstand the rigors of diving. The screw-down crown means it is secure to 500 meters. Its suitability for serious diving is derived from a unidirectional rotating bezel with 15-minute markers and the first quadrant is engraved with individual minutes for precise calculation of air time remaining in one's tanks.

Bremont Supermarine Descent

Bremont's first diving watch, the 42mm Supermarine 500, was launched late last year to much acclaim. The English company immediately followed the debut model with a limited-edition version featuring an all-black diamond-like carbon coating—only 407 will be made. Like Bremont's pilot watches, the Supermarine 500 employs an anti-shock movement—the "Anti-Magnetic Faraday Cage"—and is specified water-resistant to 500 meters.

De Grisogono Instrumento Grande Chrono

For its fifth birthday, de Grisogono's Instrumento Grande has evolved into a chronograph. Retained from the original model are the engine-turned concentric wave pattern and oversized hour markers on the dial, with the calendar arrayed in twin arcs. The massive Instrumento Grande Chrono is made from a chunk of 18k pink gold, it is water-resistant to 30 meters, and its self-winding mechanical movement provides 42 hours of reserve power.

Grimoldi BO2

Ever since Hublot made metal and rubber a hot combination, it's been the watch du jour for the beach set. Alas, the starting price has been prohibitive, but Milanese watchmaker Grimoldi has an affordable take on the style, using its kidney-shaped Borgonovo as a template. Various elements have been rubberized and Giorgio Grimoldi has come up with a palette of cool colors including black, white, pale blue, cream and pale green among others. BO2's 57.2mm x 39.4mm case is fitted with anti-reflection sapphire glass, and finishing off the package is a complex rubber strap with butterfly buckle.

Longines Lindbergh Atlantic Voyage

A watch can be no more "classic" or pilot-oriented than one designed by legendary aviator Charles Lindbergh. Longines has commemorated his personal design, known as the "Greenland Flight," with a modern version sure to ensnare collectors. The original, which he conceived when serving as a technical adviser to Pan-Am, had to register kilometers per hour, up to 500 kilometers, with the ability to run for 192 hours. Longines has reproduced this watch, renamed the Lindbergh Atlantic Voyage watch, in a numbered series—though not a limited edition.

TAG Heuer Silverstone

Celebrating its 150th anniversary, TAG Heuer has added another desirable reissue from its range of vintage Heuer chronographs. Following the Carrera, the Monaco and the Autavia is the funky Silverstone, named after one of the U.K.'s greatest motor-racing circuits. First issued in 1974, it features a case like no other: almost a rectangle, but with rounded corners. The re-edition uses the new TAG Heuer Calibre 11 automatic in a 42mm polished stainless steel case. TAG Heuer certainly didn't tamper with history: the Silverstone carries its crown at 9 o'clock, while the polished chronograph push-buttons reside at 2 o'clock and 4 o'clock.

—Ken Kessler

TECHNOLOGY

Priceline shifts its model in Asia

Fixed-price bookings grow where name-your-own price doesn't fly; Agoda unit employees call on hoteliers

By Scott Morrison

When Chaiwat Topitumatukhun opened his Postcard Resort in northern Thailand last year, he knew his best chance for success lay in tapping the Internet to market his boutique hotel to tourists around the world.

A former airline executive, Mr. Chaiwat listed his property on Agoda.com, a discount Asian hotel reservation site and a unit of online travel agent **Priceline.com** Inc. Bookings started coming in within two weeks. The five-unit hotel has hosted guests from other parts of Asia, Europe and the U.S.

"It's a cost savings to us, as opposed to relying only on travel agents on the street, and we can reach the world by using their system," said Mr. Chaiwat, who has also set up a Web site for his property.

Agoda is Priceline's effort to find new sources of growth in Asia as its U.S. and European business mature and face increased competition.

Although Priceline is best know in the U.S. for its name-your-own-pricing, much of its growth in recent years has come from fixed-price travel bookings outside the U.S. Citibank analysts estimate international bookings now represent roughly 60% of Priceline's overall business, up from 20% in 2005.

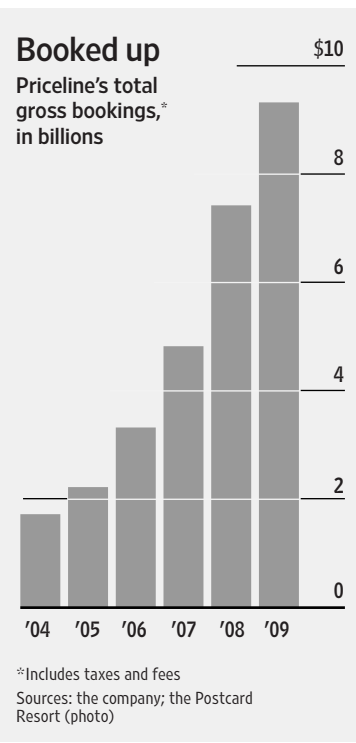
Much of those gains have come from its move into the hotel business in Europe with its Booking.com site, where the company has signed up thousands of independent hotels.

Priceline, based in Norwalk, Conn., has grown rapidly since surviving the dot-com bust and the post-9/11 travel slump. The company doubled its bookings in two years to $9.3 billion in 2009, and its shares closed Tuesday at $244.41—more than tripling over the past year. Early afternoon Wednesday, the stock stood at $243.30.

Now Priceline is sending Agoda employees to pound the pavement in Asia and calling on hoteliers there in an effort to get them to list on the site. Agoda's services are offered in 30 languages and target customers in Thailand, Malaysia, Hong Kong and Singapore.

Like Priceline's European business, Agoda offers fixed-price listings and takes a cut from each booking.

Priceline Chief Executive Jeffery Boyd said the "name-your-own-price" model is not as suitable for Asia and Europe as it is in the U.S., where well-known hotel chains and the widely used star rating system offer customers consistent and well-understood levels of quality.



Priceline is expanding in Asia, adding small hotels like the Postcard Resort in Thailand.

The company in 2007 acquired Agoda, a Bangkok and Singapore-based start-up with about 200 employees, in a deal valued at around $158 million. Agoda, which had gross bookings of $36 million in the 10 months before Priceline bought it, had $244 million in bookings last year, or about 3% of Priceline's total business.

Priceline faces challenges in Asia, a hotel market that is fragmented and where it can still take 24 hours to confirm a hotel reservation over the phone.

"It's a matter of getting them used to it, getting them used to the technology," Mr. Boyd says of independent hoteliers. "But sometimes these habits die hard."

Like other online travel agents in Asia, Priceline also must overcome issues including varying rates of credit-card use, cultural differences among markets, and a greater tendency toward packaged tours than in other regions.

Another issue has been the market clout of consolidators, travel management groups that buy airlines tickets, hotel inventory and cruises in bulk to sell to agents and individuals at discount prices.

"There has been a tremendous amount of enthusiasm about the Asian market, but there are still a lot of infrastructure hurdles," said Douglas Quinby, senior director of research at travel industry research group PhoCusWright Inc.

Citibank estimates the Asia-Pacific online hotel and lodging market totaled more than $11 billion in bookings last year and is on track to reach almost $20 billion by 2012. That would compare with $33 billion in the U.S. and $16 billion in Western Europe in 2012.

Priceline's success in Europe and it ambitions in Asia aren't lost on rival **Expedia** Inc., which is still twice the size of Priceline and is also targeting Asian customers. Expedia also operates European hotel site Venere.com and owns 60% of eLong.com, which targets China. Expedia says it is focused on increasing the size of its global supply team, which is tasked with boosting inventory and finding the best deals for customers.

Eric Grosse, president of Expedia Worldwide, also says the company is taking steps to convert more shoppers into actual buyers. It is doing so by making the booking process on Expedia's various properties simpler and adjusting its search algorithms so it can display more relevant listings based on a user's location and personal history.

Another concern is that hotels might hold back inventory once the economy improves so they can sell rooms and airfares at higher prices on their own Web sites. Mr. Boyd argues that commissions on higher prices will offset any loss of inventory at Priceline.

William Maloney, chief executive of the American Society of Travel Agents, says higher prices could diminish Priceline's ability to attract travelers. "He is still going to have the inventory. The question is: What discount is he going to be able to get for his customers?" asks Mr. Maloney.

Priceline executives have said progressively more challenging comparisons, as well as the sheer size of the business, make it likely that Priceline's growth rates will decelerate throughout the year. But a spokesman says the company has seen good economies and bad, and "rising prices and a healthy appetite for travel only help our bottom line."

Dell plans to expand its services business in China

Associated Press
Dell's projects in China include a partnership with China Telecom to standardize health records.

By Loretta Chao

BEIJING—**Dell** Inc. on Wednesday said it aims to expand its services business in China amid a broader industry focus on services as hardware profits have dwindled.

"We do intend to grow in China, both organically and by acquisition," said Peter Altabef, president of Dell Services, at a briefing to discuss the computer maker's services business in China.

He declined to give details. Dell has said it will invest $25 billion in the Chinese market.

As part of its effort to expand its services segment, Dell closed its purchase of information-technology-services provider Perot Systems in November.

The division provides information-technology services and consulting solutions to clients across a broad range of sectors, including telecommunications and banking.

Executives said health-care-related technology services are rapidly expanding for Dell, and the company's current projects in China include a partnership with **China Telecom** Corp. to standardize electronic health records in China, a labor-intensive endeavor that involves working with hospitals throughout the country.

Dell Chairman and Chief Executive Michael Dell, who has tried to revive the company since returning to its helm in 2007 in part by expanding its services business, was also at the briefing.

"We've had a tremendous history of growth in China. You can't find a country where Dell has grown faster," he said, adding that the company saw 81% growth in revenue last quarter from a year earlier from China, the second-largest personal-computer market in the world by units shipped after the U.S.

Amit Midha, Dell's president for Greater China, said the growth was helped by the Chinese government's stimulus program, which "is creating a lot of economic activity."

Dell's services segment in China has 5,200 employees, and the company plans to "expand that significantly in the next two to three years" depending on its performance in lower-tier Chinese cities, Mr. Midha said.

Another Wall Street Bonus

We keep reading that we live in the era of deleveraging, when everyone borrows less. But if that's true, there is one great exception: government. U.S. cities, states and the feds have issued more than $2.5 trillion of new debt since 2008, with another nearly $2 trillion scheduled in 2010.

So now the Obama Administration and Congress are moving to subsidize even more federal and municipal borrowing through a program called Build America Bonds. These are a new type of state and local municipal bond, authorized by the 2009 fiscal stimulus bill as a temporary way to help open credit markets that were frozen. They no doubt did some good in the crisis, but naturally the politicians can't leave well enough alone and now want to make it permanent.

> Spendthrift cities and states love Build America Bonds.

Unlike traditional munis, these new bonds aren't tax-exempt but rather carry a direct federal subsidy of one-third of their interest payments. Thus on a bond with a 7% interest rate, the issuing city government pays roughly 4.5% of the interest, and the feds pay 2.5%. These bonds also expand the pool of muni bond purchasers to nontaxable entities, such as pension funds, foundations and foreign investors. Conventional munis are mostly purchased by individuals in high-tax brackets. Treasury is proposing to reduce the federal subsidy to 28% of the interest but make it permanent.

There's no denying that direct subsidies for local debt have been a hit with Wall Street, mayors, state legislators and unions. In 2009 nearly 800 states and localities issued some $58 billion of these new bonds, more than twice what was expected. The New Jersey Turnpike Authority sold $1.3 billion of Build America Bonds last April, five times more than the $250 million it originally needed, because investor demand was so great. Evansville, Indiana is financing a $127 million sports stadium thanks to the federal largesse.

The Securities Industry and Financial Markets Association estimates that another $85 billion in Build America Bonds will be sold this year, on top of $450 billion more in new tax-exempt bonds.

Meanwhile, Wall Street firms have pocketed more than $1 billion in fees in less than a year from selling the bonds. Average underwriting fees are $8.20 per $1,000, according to a March 11 Journal story, compared with traditional tax-exempt fees of between $5 and $6 per $1,000. Goldman Sachs, a major Build America Bonds underwriter with some $10 billion in sales, has taken out advertisements urging Congress to make the program bigger and permanent. This is one banker bonus the politicians don't seem to mind.

We aren't surprised that everyone with government connections is happy when Washington pays cities and states to borrow more money. But no one mentions the downside: Build America Bonds will add hundreds of billions of dollars of new liabilities to the balance sheets of cities, states and Uncle Sam.

Outstanding Municipal Debt

1981	$360 billion
1998	1.3 trillion
2007	2.4 trillion
2009	2.8 trillion

Sources: Federal Reserve, Bloomberg

This new subsidized borrowing comes when governments are already buried in debt they will struggle to repay. States and cities are expected to run deficits of more than $100 billion in each of fiscal years 2010 and 2011. California, which has a $20 billion annual deficit and the worst bond rating of any state at A-minus, issued another $5 billion under the program last year. It was the state's biggest debt offering in history. The New York Metropolitan Transportation Authority, which can barely pay its bills, plans to auction $600 million of the new subsidized bonds soon.

States and cities face $1 trillion to $2 trillion of additional unfunded liabilities in opulent state employee pension and health-care plans. Even as states can't maintain their roads and bridges, politicians have diverted hundreds of billions in tax money to finance salary and pension increases for government workers. Build American Bonds subsidize states and cities so they can avoid a day of reckoning over those benefits.

Build America Bonds are also expanding federal costs much faster than expected. Over the life of the up to 30-year bonds, Uncle Sam could owe up to $90 billion in interest. The program's first-year cost of $1.38 billion already exceeds what the White House estimated it would cost over three years. (These are the same folks who say ObamaCare will save money.)

The recent jobs bill extended Build America Bonds through this year, and the House wants to add another three years. But the federal government already subsidizes local borrowing through the muni bond tax exemption, and the nation doesn't need another bonus for Wall Street and spendthrift states and cities.

March Sanity

In 40 brief minutes, entitled programs were brutally cut down. Too big to fail? Out the window. Transparent competition carried the day. Needless to say, this isn't Washington. For something closer to the world many of us would prefer, the opening rounds of the NCAA men's basketball tournament will have to suffice.

Each year, college hoops distract from dismal political realities—and along the way gives us some underdogs to root for. This year's tourney is even better than usual.

Once the tournament begins, a school's athletic budget, conference or reputation can suffer a quick discount. By the end of this year's second round, most teams from the swaggering Big East have lost: Georgetown to that *other* Ohio University; Pitt to Xavier; Notre Dame to Old Dominion. Villanova, seeded an inflated second in the South Regional, lost to St. Mary's of California. Top-ranked Kansas, a favorite of punters and President Obama to win it all, went out to the University of *Northern* Iowa. The Panthers won twice on late three-pointers by a six-foot guard of Iranian origin named Ali Farokhmanesh.

Joining them in the sweetest of Sweet Sixteens is Cornell. The Ivy League champion for the past three seasons, the Big Red had never before won a game in the NCAA tournament. But Cornell is no Cinderella, having given two giants, Syracuse and Kansas, a scare on the road earlier in the season. Their 29-4 record isn't bad for a program that offers no athletic scholarships. Next up for Cornell is Kentucky, which graduates 31% of its basketball players.

With few if any professional scouts knocking on the doors, Cornell's senior guard, Louis Dale, says that he and his teammates have only "babies and memories" to look forward to. Thanks to Mr. Dale and the Panthers of Northern Iowa, the Gaels of St. Mary's and other hoops Hail Marys, this year's tournament is offering wonderful diversion from those who can't bear to watch Washington.

Fixing No Child Left Behind

The Obama Administration wants to revise the No Child Left Behind education law, which is understandable because the law has flaws. But it's too bad many of the proposed fixes would weaken the statute and undermine the Administration's twin goal of raising state education standards.

Some of the White House proposals make sense, such as the push for more charter schools that can focus on the specific needs of their student populations by operating outside of collective bargaining agreements. We also like using student test scores to measure an instructor's effectiveness and influence teacher pay. Both reforms are strongly opposed by the teachers unions, and Team Obama deserves credit for putting children ahead of the National Education Association.

Other parts of its proposal leave us scratching our heads. The Administration wants to junk NCLB's requirement that all students be proficient in reading and math by 2014 and replace it with an equally unrealistic goal of making all kids "college ready" by 2020. By this thinking, it's impossible to teach every kid to read at grade level within the next three years, but getting all of them ready for higher education six years later is doable.

The worst parts of the proposal diminish or eliminate NCLB's accountability and choice provisions. Poor kids in persistently failing schools would lose their access to free private tutoring and the option to transfer to another school. It's true these provisions were poorly enforced by the Bush Administration, but that's an argument for better enforcement, not axing the only part of the law that allows a role for private competition.

> A reform pudding without a theme.

We're glad to see the Administration would maintain annual math and reading tests in grades 3 through 8, and that school districts would continue to disaggregate results by race and other factors to prevent schools from hiding achievement gaps. But the proposal would also allow for less rigorous and more subjective assessments—such as how "creative" a child is—to measure student progress, which could easily become an accountability loophole.

As worrisome is a call to drop the "adequate yearly progress" provision in NCLB that uses math and reading scores to determine whether districts are moving students toward proficiency. Currently, underperforming schools face federal penalties. But in the name of "flexibility," President Obama and Education Secretary Arne Duncan want to return to a policy that lets states and school districts independently determine when and whether to provide remedies for most of their failing schools. Never mind that it was state neglect of such schools that led a bipartisan majority in Congress to pass No Child Left Behind Act in the first place.

If there's a unifying theme here, we can't detect it. It's as if Team Obama agrees with much of the Bush-era reform but has to appear to oppose it because its core supporters hate anything that's a Bush-era reform. The only good argument for federal intervention in local education is to challenge failure and promote higher standards, and if a revision of NCLB is going to water that down, then better to do nothing at all.

The Administration is also calling for common education standards in all 50 states. We're not convinced that national standards are necessary to improve academic outcomes. But weakening NCLB's accountability provisions could make it tougher for the Administration to pursue high-quality benchmarks. Without the threat of federal intervention, a state has that much less incentive to address the learning gap, hire more effective teachers or implement a more rigorous curriculum. Kids in failing schools deserve better.

OPINION

Governing Corporate China—Or Not

[Business Asia]

By J.C. de Swaan

A disconcerting number of Chinese corporate-governance failures have surfaced since the financial crisis—Sino-Environment, Beauty China, Oriental Century, Canton Properties and Fibrechem Technologies are just a few examples in the past year. It's starting to add up to a trend.

Consider the similarities: The scandals have centered on high-growth mainland Chinese companies listed in Hong Kong, Singapore or London. Alarm bells have typically gone off when accountants were unable to sign off on an audit, most often due to inflated sales and unverifiable trade receivables. An alternative trigger has been the sudden disclosure that the chairman pledged his shares to a creditor, unbeknownst to shareholders and other creditors, and defaulted, thereby spurring a change in control. In rarer situations, the founder has straight-out admitted inflating his financial statements using fictitious accounts—likely pre-empting an imminent revelation, as was the case with Oriental Century.

The credit crisis is exposing trouble beneath the surface at small- and mid-cap companies.

To be sure, breaches in corporate governance are nothing new in listed Chinese companies. Investors remember how the collapse of Moulin Global Eyecare in April 2005 or of EganaGoldpfeil in July 2007 gave investors jitters for a while about small- and mid-cap companies listed in Hong Kong. What's new now is the frequency. Rather than abating, this trend is likely to continue, and possibly worsen, as liquidity gets tighter over the next few months. It's harder to hide misappropriation of funds or accounting fraud when perpetrators can't round up enough cash to cover their tracks.

China's overall loan growth will remain robust in 2010, but gradual tightening will disproportionately affect small and mid-caps, which still account for most of the corporate governance-related failures. Cos Borrelli, one of Hong Kong's leading experts on insolvency and restructuring, has seen it all over the years and yet is unequivocal: "The financial crisis has brought about a Wild West mentality—in many of these situations, it's been a free-for-all with founders or chairmen of companies in difficulty quarantining their key assets to avoid losing them to creditors and shareholders."

That helps explain why the number of cases is high even in the context of a low point in the business cycle. While this is difficult to quantify precisely, conversations with experts in Chinese corporate restructuring turn up anecdotal evidence that the problem is worsening. And scandals seem to be ensnaring larger and larger companies that often have

Bloomberg News

Outside the Hong Kong Exchange.

significant foreign ownership. The two trends are related. Most listed Chinese companies have benefited from buoyant stock markets prior to the global financial crisis. These companies funded themselves by successfully tapping into global capital that was chasing Chinese growth. They repeatedly issued shares, obtained credit from off-shore banks, and in many cases issued convertible bonds targeting international investors.

This comes at an inopportune time for Beijing. Global investor attention more than ever is tuned into China's capital markets as investors elsewhere expect the economy to continue growing. The uptick in corporate fraud is also marring Beijing's attempt to modernize its financial markets, having announced an ambitious plan to turn Shanghai into a global financial hub by 2020.

At the heart of the problem lies China's bankruptcy process, which provides no consistent path forward for creditors and minority shareholders to ensure that a company's remaining assets are secured and that their claims are recognized after a corporate-governance failure. It is often not clear which government authority is responsible for sorting through the rubble. Off-shore listings complicate these jurisdictional issues, as mainland regulators rarely recognize or enforce rulings from foreign bankruptcy authorities.

Witness Sino-Environment, a waste water-treatment company listed in Singapore. The first signs of trouble appeared in March 2009 when its chairman and CEO defaulted on a personal loan against which he had pledged his shares. A subsequent review by auditor PricewaterhouseCoopers found accounting irregularities. That led the board's independent directors to file police reports in Singapore, Hong Kong and mainland China.

The CEO eventually resigned, along with two other executive directors, but has vowed to continue running the company's mainland operations. Meanwhile, months after the independent directors obtained court orders in Singapore to restrain the sale of company assets, they are still seeking to secure the assets and bank accounts of the firm's China subsidiary due to the lack of responsiveness from mainland authorities. The company has appointed a turn-around specialist as the new CEO and may well survive. But the minority shareholders' chaotic experience illustrates the lack of effective process to address corporate governance failures.

The slew of corporate-governance problems has not yet reached a level where international investors would systematically question the veracity of reported financials from Chinese companies. But the trend must be bucked. There is no shortcut to this—Beijing needs to push reforms that will put in place a consistent and reliable bankruptcy process, made available to foreign investors and constraining the ability of insiders to seize assets when the wheels come off. Otherwise the danger is that investors will start rethinking Chinese capital markets.

Mr. de Swaan is a lecturer in the economics department of Princeton University.

Japan's Hope and Change Hangover

By Michael Auslin

Just six months have passed since the Democratic Party of Japan took power in Tokyo, upending a half-century of rule by the Liberal Democrats and ushering in what many hoped would be a new era in Japanese politics. Half a year later, the DPJ's promises of "hope" and "change" are starting to look like empty slogans.

Prime Minister Yukio Hatoyama bears much of the blame. He has presided over a huge spending spree, worsening the already-terrible fiscal deficit. There is no plan for economic reform to spur growth, despite an anemic 0.9% GDP expansion in the fourth quarter. Yet Mr. Hatoyama has plowed on with grandiose new promises, most notably to cut Japan's greenhouse-gas emissions by 25% from 1990 levels—a move that would increase energy costs and limit economic growth even further.

The DPJ's foreign-affairs management hasn't been much better. The Hatoyama government stoked an unnecessary dispute with its cornerstone security ally—the United States—over a 2006 agreement to move a U.S. Marine Corps base from an urban to a remote location in northern Okinawa. If the DPJ attempts to substitute another plan or fails to issue a decision about the base by its self-imposed May deadline, then ties will unquestionably worsen. On top of that, Mr. Hatoyama's call for a new East Asian Community that may exclude the U.S. has been widely panned by critics inside Japan and by Tokyo's democratic allies.

Then there are the ongoing scandals that have dogged the Hatoyama administration. Aides to both the prime minister and party Secretary General Ichiro Ozawa have been indicted in allegedly illegal fundraising schemes, leading to the arrest of both a Diet member and Mr. Ozawa's former secretary. Up north, four people, including three members of the Hokkaido Teachers' Union, were arrested for illegal donations to a second-term DPJ legislator. For a party that ran on cleaning up Japanese politics, the DPJ's six-month record in power has served to erase the ethical distinction between the parties.

Six months into its term, the DPJ government isn't delivering on its campaign promises.

For all these reasons, the DPJ has suffered a momentous slide in its popularity. Newspaper polls now find less than a 10-point gap between Mr. Hatoyama's party and the rudderless LDP in advance of upcoming elections for the upper house of parliament. Luckily for Mr. Hatoyama, there's little chance of the LDP returning to power anytime soon, but that doesn't mean the DPJ shouldn't be alarmed. Given its underperformance in its crucial first months, the DPJ will face increasing scrutiny from a public tired of unresponsive and incapable politicians.

Japan can't afford this kind of economic and political stagnation. The country's aging population, shrinking permanent employment opportunities and creeping crime rates point to an increasing national malaise—at a time when Japan's competitors, in the form of South Korea and China, are powering ahead.

In centuries past, Japanese malaise was often followed by a traumatic reordering of the political and social system. Today however, there are no discernible domestic trends that might point to such a renaissance. Many Japanese hung their hats on last year's election, but the DPJ's performance has scotched all hope. The real danger in Mr. Hatoyama's inability to change Japan is that citizens will further lose faith in the future, no longer believing there is really any way out of their current predicament. That will make governing harder.

Why does this all matter? Despite the obvious importance of ending the stagnation of the world's second-largest economy and improving the lives and futures of 125 million people, Japan in some ways is still a canary in the coal mine of modernization. It has served as an economic model for much of Asia, has steadily accepted a greater burden providing public goods both regionally and globally, and has developed a stable political system in a region still wracked by electoral uncertainties. The struggle to consolidate democratic, free-market systems is far from over in Asia, and the future of the world's most dynamic and populous region will be far more uncertain if liberal states are seen as incapable of solving their problems and providing for their people.

The onus is on Mr. Hatoyama, and all Japan's politicians, to prove that the four-decade run after World War II was no fluke, and that Japan can find the answers to maintaining a vigorous society and economy. If the prime minister doesn't start delivering on his promises soon, he is courting, at best, irrelevance, or at worst, disaster.

Mr. Auslin is director of Japan Studies at the American Enterprise Institute.

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THE WALL STREET JOURNAL

"I was bullish. Then I was bearish. Now I'm sheepish."

OPINION

Leaping the Great Firewall of China

By Emily Parker

Google rode into China four years ago on a wave of optimism about the Internet's power to spread information within closed societies. At that time I was living in Hong Kong, where I had been writing about China and the Internet for this newspaper. I described online petitions, vibrant Web communities, and netizens' successful attempts to unearth news that au-

How Twitter and other technologies are keeping one step ahead of the censors.

thorities tried to block.

I believed that companies like Google would broaden the market for information. So when Google launched its Chinese site, Google.cn, I was uneasy about the company's decision to censor its search results to comply with Chinese law.

But Google eventually convinced me, along with other skeptics, that it had made the right calculation. "Our continued engagement with China is the best (perhaps only) way for Google to help bring the tremendous benefits of universal information access to all our users there," the company wrote in its 2006 announcement to launch Google.cn. "We're in this for the long haul."

Well, so much for that. Monday Google announced that it is so fed up with hacking, censorship and China's overall business climate that it has closed down Google.cn. Mainland Chinese users are now redirected to Google's Hong Kong site, where "sensitive" information will no longer be blocked by Google.

China immediately denounced Google's "arrogance" and "pressure tactics." And it appears to already be employing the same Great Firewall of censorship against Google.com.hk as it does against Google.com. Over the short term at least, this is not exactly a victory for Internet freedom.

So what happens now? The good news is that American technology companies can still promote Internet freedom in China. Google tried to bring information to the Chinese people; now let's try bringing Chinese people to the information. In other words, U.S. companies can set up shop outside of China but make it as easy as possible for the Chinese to access their services. Call it Twitter diplomacy.

Twitter, though blocked by the Great Firewall, has a small but fiercely loyal following on the mainland. Chinese use it to break news, offer frank opinions, and find like-minded individuals. Artist and social activist Ai Weiwei recently referred to Twitter as "a ray of light" in "a very dark room."

The fact that Chinese can access this service has much to do

David G. Klein

with Twitter's design. Twitter has an open application programming interface, or API. Twitter's API allows people to post and retrieve tweets on sites other than Twitter. "Coders in China can still find wholesale access to twitter.com blocked," says Jonathan Zittrain, co-director of Harvard's Berkman Center for Internet and Society. "The idea is that coders elsewhere get to Twitter, and offer up feeds at their own URLs—which the government has to chase down one by one."

The Twitter API is just one example of an innovative way a U.S. company can help Chinese netizens gain access to uncensored information. Western companies can also address the Great Firewall by developing safer and cheaper virtual private networks that allow Chinese to access the Web as if they were outside of China. What's important is that these are fundamentally technological approaches, not overtly political ones.

Some netizens are thrilled about Google's move. The Chinese twitterverse is alight with words like "justice" and "courageous" and "milestone."

But many Chinese also understand that the problem of censorship is not going away, and they need a more practical, long-term strategy to overcome it. More than one Chinese blogger expressed to me, with a sense of awe, that Google did what they could not. They were not simply referring to Google's confrontation with the Chinese government. They also meant that if things didn't go its way, the company could simply turn and walk out the door.

Ms. Parker, a senior fellow at Asia Society's Center on U.S.-China Relations, is writing a book about democracy and the Internet.

Google Stands Up

By John Bolton

Google's decision to stop censoring searches on its China-based servers, rerouting search requests instead to its uncensored Hong Kong facilities, is historic. Google has shown itself unwilling simply to be on the receiving end of whatever Beijing dishes out—and highlighted the growing importance of Hong Kong and Taiwan in shaping the decisions that foreign businesses in China must make.

When an enterprise of Google's global dimensions and visibility reverses course in China and is no longer a passive, compliant subject of government diktats, it sends a message to enterprises world-wide: You can do the same. Submissive participation in the mainland Chinese market is neither inevitable nor unavoidable. Do not fear to assert your interests, and those of your present and potential Chinese customers.

For the most part, foreign companies doing business in mainland China previously assumed that their risks lay on the side of not complying with Beijing's orders, however burdensome or threatening to profits or property interests, physical or intellectual. Leaving the Chinese market was unthinkable, and defying or contesting Beijing's directions just as unthinkable.

Of course, as Google could envision, bucking this conventional wisdom is hardly risk free. Google may be mistaken about its own commercial interests and have to climb down in the near future—Chinese authorities are already filtering results from Google's Hong Kong search engine for mainland users. Beijing's rapid and angry response shows it fully understands the dimensions of

The Obama administration should support U.S. businesses that do the same.

this clash, and it may yet win, forcing Google back into censoring searches, or pushing it entirely from the mainland for being uppity.

The company announced starkly that "the Chinese government has been crystal clear throughout our discussions that self-censorship is a non-negotiable legal requirement." That position shows how aggressively Beijing's current leadership will act to control domestic information flows, and foreign businesses generally.

But the mere fact that the Google nail remains upright, despite Beijing's omnipresent hammer, is telling. And if Google succeeds, we cannot even begin to imagine the commercial implications for foreign trade and investment with China. A Google victory is also a victory for China's citizens, a surrogate win for those who value individual liberty and free markets in goods and ideas.

Google's response spotlights the distinctive role that mainland China's more free cousins, Hong Kong and Taiwan, may play in shaping business in China in the future. Because Hong Kong still retains a strong attachment to a consistent, fairly applied rule of law, in an economy many now consider freer than that of the United States, Google correctly saw it as a refuge to which it could repair.

Hong Kong's physical reality, its legal protections and lack of corruption, and its potential to be a truly open society are powerful advantages for foreign businesses. Similarly, Taiwan's appeal as a base cannot be dismissed either, especially as economic relations across the Taiwan Strait grow. More closely integrating the two cross-Strait economies will only increase Taiwan's attractiveness to foreign investors and traders.

But Hong Kong's longer term future is still up in the air: Technically it will be fully integrated into China after 2047, and there are already signs of interference from Beijing in the Special Administrative Region. A lot rides on how its role in the current crisis plays out. Many Hong Kong trends are deeply disturbing: increasing Beijing efforts to interfere in internal affairs; repeated postponements of steps toward fuller representative government; and worries about Beijing tainting Hong Kong's judiciary by appointing judges who will be responsive to China rather than independent. On the other hand, the strength of support among Hong Kong's younger citizens for preserving Hong Kong's special status shows that the passage of time is not ineluctably on Beijing's side.

Google's decision should also tell the U.S. government something about how to advocate its interests with China. The Google controversy coincided with cyber attacks against over 200 American companies, believed by U.S. authorities to have been launched by the People's Liberation Army. China's unchallenged behavior shows why we should not be optimistic that romancing Beijing will produce "crippling" sanctions against Iran's nuclear weapons program any time soon. Instead, the Obama administration should emulate Google's approach in official dealings, and support U.S. businesses in situations similar to Google so they do not have to act alone.

Announcing China's 1949 founding, Mao Zedong said, "The Chinese people have stood up!" Now, Google has stood up, and the game is on between Mao's heirs and the Internet generation.

Mr. Bolton, a senior fellow at the American Enterprise Institute, is the author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).

Courage Can Turn the Tide

By Yang Jianli

Google's action is the latest in a series of events that pose the greatest challenge to the Chinese government's carefully fabricated facade of legitimacy since the 1989 Tiananmen pro-democracy movement. Few people in the West recognize the precarious position of the Chinese rulers. The vast majority of Chinese citizens have nothing but disdain for their government. Sixty years of repression, as well as a modicum of economic opportunity for some, have created an uneasy acquiescence. But that is changing.

Increasingly, Chinese citizens realize that a government, however corrupt, rich and powerful, cannot hold a gun to its people forever. The Internet publication of Charter 08 by leading Chinese intellectuals in December of 2008 was a seismic rupture in the facade of harmony and stability. Although the lead author, Liu Xiaobo, has been sentenced to 11 years in prison, the Charter continues to circulate surreptitiously throughout China, despite attempts by the authorities to eradicate it.

Last November, noted human rights lawyer Feng Zhenghu took a stand against the illegal and pervasive practice of "blacklisting," by which the Chinese government blocks politically undesirable citizens from returning to their own country from abroad. I myself am a victim of this blacklisting. Mr. Feng held a "sit-in" for over 90 days in the customs area of Tokyo's Narita Airport in a nonviolent protest. He was sustained by Chinese supporters who traveled to him with supplies and moral support during his vigil.

Alarmed by the growing support network organized via Twitter and Facebook, the Chinese government decided to cut its losses and finally allowed Mr. Feng to return home to Shanghai in February. This action is the first time the Chinese government has allowed a blacklisted person to return to China. It shows the power of the Internet to galvanize citizens around effective nonviolent action against tyranny. And it clearly reveals the vulnerability of the Chinese government and why it is so paranoid regarding an open Internet.

Google's decision has widened the crack in the Chinese government's facade of deceit. However, Google alone cannot bring down the Great Firewall. Decisive action by the U.S. government is needed to tear down this Berlin Wall of the 21st century. Specifically, the State Department must act now to facilitate immediate and order of magnitude scale-ups of proven field tested protocols. The money has already been appropriated by Congress. The world-wide dissident community is virtually unanimous in its support for this action.

To quote Confucius, "To see what is right and not to do it is want of courage." Google has shown us what is right. Now it's time for the State Department to show courage, not procrastination.

Mr. Yang, a former political prisoner, is a fellow at the Kennedy School of Government and president of Initiatives for China, a pro-democracy think tank.

IN DEPTH

Yaroslav Trofimov/The Wall Street Journal

A new cellphone tower built in the village of Saw, in Afghanistan's Kunar province.

Taliban shut down cellphones to show who's really in control

Decree aims to prevent villagers from passing tips to coalition forces; nation's telecom industry abides by the rules

By Yaroslav Trofimov
Zhari, Afghanistan

Every evening at dusk, cellphones go dead in this district just outside Kandahar, Afghanistan's second-largest city. All three mobile-phone companies operating here turn off their antennas, returning to air only when the sun rises above the jagged hills to the east.

The reason for this nightly blackout, implemented across southern and eastern Afghanistan: a Taliban decree that aims to prevent villagers from passing tips to coalition forces.

The Taliban also are trying to show who's really in charge in this part of the country by intimidating the cellphone industry, one of the rare Afghan economic success stories. When carriers tried to defy the edict in the past, insurgents destroyed cellphone towers and killed staff in response.

The American surge into southern Afghanistan, including here in Kandahar province, has dealt setbacks to the Taliban. Yet the insurgents are far from defeated. Despite the offensive by tens of thousands of extra U.S. troops in the south, fear of the Taliban still reigns across much of the country. The cellphone shutdown is a sign of how deeply entrenched the insurgency is in the day-to-day functioning of the area, where the Taliban effectively operate a shadow government more powerful than the state.

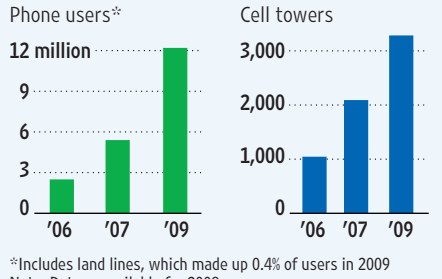
"Having some soldiers in some places shouldn't give you the wrong signal that the situation is good," says Mohammad Naseri, head of legal and government affairs at the MTN Afghanistan cellphone network, a unit of South Africa's MTN Group, which has more than 3 million Afghan customers.

Carriers can't afford to be seen as siding with the Afghan government against the Taliban, Mr. Naseri says. "You should not give a justification to the others that you are favoring the government—and you have to prove in words and in deeds that you are neutral." This means that MTN and Afghanistan's other big cellphone companies, such as Roshan and AWCC, strictly abide by Taliban hours in several provinces, going off air precisely at 5 p.m. and going back on at 6.30 a.m.

Market leader Roshan, part-owned by

Call waiting

The number of phone users and cell towers in Afghanistan



*Includes land lines, which made up 0.4% of users in 2009
Note: Data unavailable for 2008

Source: Afghanistan Ministry of Communications and Information Technology

IN DEPTH

Bloomberg News

A man sells cellphones in Kabul. Phone use has soared in Afghanistan, but the Taliban have curtailed it in many regions of the country, partly for propaganda.

Britain's **Cable & Wireless** and the Swedish-Finnish **TeliaSonera** group, says it switches off at least 60 of its 800 base towers in Afghanistan every night, including all of the company's antennas in the Helmand province, the target of a large coalition advance in February. Roshan has 3.5 million Afghan customers.

According to the company's chief operating officer, Altaf Ladak, all of Afghanistan's national cellphone carriers have made a joint decision to shut down their networks at night in areas where the insurgents are active. MTN's Mr. Naseri confirmed this informal agreement. Officials of AWCC and Etisalat Afghanistan, the two other big national carriers, didn't provide executives for comment. "We play by their rules—we don't like to play around when people's lives are at stake," Mr. Ladak says about Taliban threats. He adds he realizes the broader implications: "From a political perspective, it's quite a coup for them."

The Taliban are using the cellphone system as an instrument of war against the Afghan government and the U.S.-led coalition. They could easily destroy the network altogether in many districts. But the Taliban, too, depend on cellphones for communication. Plus, they know that shutting down phone service entirely would cause a backlash among ordinary Afghans. Instead, they're dictating the terms on which phone companies work, for propaganda reasons and sometimes for financial benefits as well. "Cellphones are a powerful tool for the Taliban: They offer a cheap and effective means to direct insurgent activities or pass intelligence," says U.S. Air Force Lieutenant Ray Geoffroy, a spokesman for the U.S.-led International Security Assistance Force in Afghanistan. "At the same time, we are seeing Taliban attempts to deny regular Afghans access to this technology as a means of social control and operational protection."

Militants all over the world use mobile phones to trigger explosions. Insurgents in Iraq have been killing alleged informers who were spotted using cellphones in a suspicious manner. However, the Taliban are unique in seeking to impose their own regulation on a nation's entire telecommunications industry.

Millions are affected. Sardar Wali, a 19-year-old student from the Khwaja Mulk village north of Kandahar city, said that, when his father became suddenly sick one night last year, the cellphone blackout prevented the family from calling a taxi to ferry the man to the hospital.

"We had to carry my father on the back of a donkey," a journey that took three and a half hours instead of a short drive, Mr. Wali says. "The doctors told me that it was just appendicitis. But we almost lost him."

Several cellphone company executives in Afghanistan say operators or their contractors routinely disburse protection money to Taliban commanders in dangerous districts. That's usually in addition to cash that's openly passed to local tribal elders to protect a cell-tower site—cash that often also ends up in Taliban pockets. Coalition officers confirm that carriers make payments to the Taliban.

Cellphone executives interviewed for this article insist they don't pay bribes, but point fingers at rivals.

When the Taliban ruled the country, prior to the 2001 U.S. invasion, its government lacked international recognition and didn't attract much foreign investment. There there were no mobile phones in Afghanistan.

Afghans wishing to make a call had to queue up in crowded government-run Public Calling Offices. The first cellphones appeared here in 2003, with the industry attracting global telecom giants—such as Cable & Wireless and Etisalat of the U.A.E.

In the following three years, as the Taliban seemed largely defeated, the new mobile-phone operators rolled out their towers across the country, satisfying pent-up demand in a nation of virtually no landlines, rutted roads and isolated valleys. There are now 12.1 million cellphone accounts in Afghanistan, a country of 29 million people. Afghanistan's cellphone industry employs more than 100,000 people and generates, by government estimates, as much as $1 billion in annual revenue for the five operators.

The resurgent Taliban first turned their attention to the mobile industry around 2006. Leaders of the group were well aware that coalition forces could monitor nighttime movements of the insurgents by tracking their cellphones. American troops, meanwhile, had painted phone tip-line signs on walls outside U.S. bases. Informers are usually reluctant to call in tips during daytime, when they can be spotted by Taliban sympathizers, military officers say.

Local insurgent commanders started demanding sporadic cell-tower shutdowns and, in early 2008, the Taliban's main body, the Islamic Emirate of Afghanistan, demanded a nighttime blackout in parts of the south. In October that year, the Taliban noted that "the trial implementation of the decision has yielded positive results," and decreed a sweeping national ban on nighttime calls "to protect the Afghan people."

At first, Afghanistan's central government—eager to preserve its authority—tried to bar mobile-phone companies from caving in to Taliban demands. "Initially there were very strict instructions from our side" to keep the signal on-air through the night, says Communications Minister Amir Zai Sangin. "We asked them to resist this."

But, as a result of such attempted defiance, Mr. Sangin adds, some 40 base towers—costing as much as $400,000 each—were destroyed by the insurgents over the past year. Chastened by the experience, the government no longer insists that the networks operate at night in insurgent-dominated regions. "We understand that in some areas, unfortunately, there is no other way," Mr. Sangin says. "We don't have security to protect the towers."

Phones go dead in Zhari at night even though two U.S. Army battalions deployed here last year; additional reinforcements are on the way. American officials estimate that only about 10% of the district, where Taliban chief Mullah Omar began his preaching career, is under government authority. Zhari's governor, Mohammed Niyaz Serhadi, says he has repeatedly implored the mobile operators to restore 24-hour service in his district. He has offered land for a tower inside the district headquarters—a secure location that sits within the perimeter of a large U.S. base on the Helmand-Kandahar highway.

Carriers can't afford to be seen as siding with the Afghan government against the Taliban.

"Once the antennas are shut down at night, our people are like the blind: The businessmen cannot carry on with their businesses, the sick cannot get to a hospital, and people cannot contact their relatives if something happens or if someone dies," Mr. Serhadi says. Mobile-phone companies, he adds, rejected his offer: "They said that if they erect their antennas in the district center, the Taliban will bomb their antennas outside and kill their staff."

In Zhari's neighboring district of Arghandab, where a recent deployment of American forces has pushed back the insurgents, there was no mobile-phone service at all until two months ago. Continuing skirmishes made travel unsafe and prompted the phone companies to shut down the towers that hadn't been destroyed.

"People had to walk all the way to Kandahar City or climb to the top of a mountain to get reception," says the Arghandab district governor, Hajji Abdul Jabar. The signal has now reappeared—but, as in Zhari, only during daylight hours.

While the Taliban routinely attack trucks ferrying supplies for foreign or Afghan troops, they tend not to interfere with convoys operated by cellphone carriers. "We are not a target," says MTN's Mr. Naseri. Normally, he adds, it's enough for a driver to show at a Taliban checkpoint a company letter stating that equipment aboard the truck belongs to MTN and not to the U.S. forces. "We believe that whatever benefits our people is in the interest of the Islamic Emirate," explains the Taliban spokesman, Zabihullah Mujahid—interviewed via his Afghan cellphone. "We won't prevent any mobile company from building new towers, because we know that the more the operators expand their networks, the more access our people will have to telecommunications services."

Such a dynamic is on display in the northeastern province of Kunar, a Taliban stronghold along the mountainous Pakistani frontier. A string of mobile towers, most of them in the final phases of construction, has sprung up in recent months in the northern stretch of the Kunar River Valley—an area that remains so far without any cellphone coverage.

After inspecting one of the new towers, a patrol of U.S. and Afghan troops recently sat down for tea with the elders of Saw, a village of squat mud houses perched above a verdant slope following the river bank. Suspected Taliban spotters were seen observing the village from the mountains as the coalition patrol moved through. "If the Taliban had been opposed to cellphones, we wouldn't have been able to build so much of the tower by now," said one elder, Ghulam Ghoss, a principal of the local school.

Chiming in a few minutes later, the Afghan National Army patrol commander, First Sgt. Zuhur Noori, expounded on the benefits of the mobile service, asking for intelligence tips. "We are here during the daytime, and the enemies bother you at night," Sgt. Noori said. "With the mobile antenna, you could let us know when the enemies are in here."

Mr. Ghoss listened with a polite smile. The Taliban "maybe will also use the antenna" he pointed out, "to relay messages of their own."

—Habib Zahori contributed to this article.

Private bankers bullish about the global economi

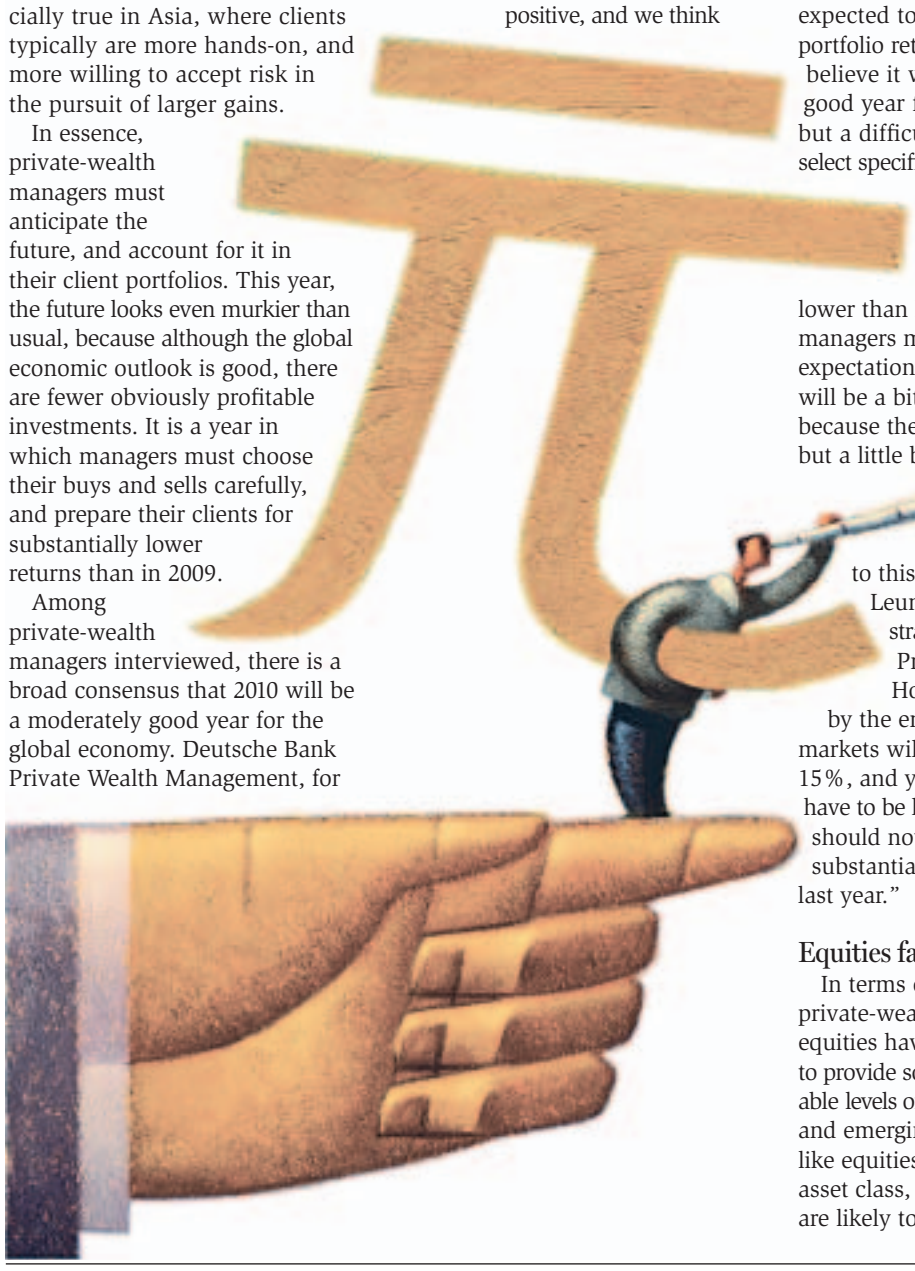
Managers see an early U.S. recovery helping the export-oriented countries of Asia; counting on equities to provide solid returns

Private-wealth managers, who invest huge sums of money on behalf of knowledgeable and demanding clients, have one of the toughest jobs in the finance world. They accommodate customers who want modest but rock-solid annual returns of 4% to 5%, but they must also cater to clients who insist on very robust returns, regardless of the economic climate. This is especially true in Asia, where clients typically are more hands-on, and more willing to accept risk in the pursuit of larger gains.

In essence, private-wealth managers must anticipate the future, and account for it in their client portfolios. This year, the future looks even murkier than usual, because although the global economic outlook is good, there are fewer obviously profitable investments. It is a year in which managers must choose their buys and sells carefully, and prepare their clients for substantially lower returns than in 2009.

Among private-wealth managers interviewed, there is a broad consensus that 2010 will be a moderately good year for the global economy. Deutsche Bank Private Wealth Management, for example, forecasts 4.1% growth in global GDP for 2010, led by Asia (not including Japan) at 7.7%, and the U.S. at 3.8%, with the euro zone expected to lag at growth of just 1.1%.

"We think the economic outlook is constructive," says Anurag Mahesh, head of global investment services, Asia-Pacific, for Deutsche Bank Private Wealth Management, in Singapore. "Most of the data out of the U.S. is positive, and we think the U.S. will get out [of recession] earlier than other developed economies, and that would provide good support for the export-oriented economies of Asia." Company earnings in the fourth quarter in both Europe and the U.S. have also been good, especially in the U.S., says Mr. Mahesh.



Other banks are similarly optimistic about the global outlook, but the positive economic environment is not necessarily expected to generate dramatic portfolio returns. Private bankers believe it will be a reasonably good year for most asset classes, but a difficult one in which to select specific investments, especially compared with last year.

With portfolio returns likely to be lower than last year, wealth managers must also dampen the expectations of their clients. "It will be a bit of a boring year, because there is a modest upside, but a little bit above average volatility, and that's what you can look forward to this year," says Ivan Leung, chief investment strategist for J.P. Morgan Private Bank in Asia, in Hong Kong. "Hopefully by the end of the year equity markets will be up about 10% to 15%, and you [the clients] will have to be happy with that, and should not be surprised that it is substantially less than it was last year."

Equities favored

In terms of asset classes, the private-wealth managers believe equities have excellent potential to provide solid returns at acceptable levels of risk, in both developed and emerging markets. "We still like equities more than any other asset class, even though returns are likely to be more moderate compared to the volatility," says Manpreet Gill, Asia strategist for Barclays Wealth, in Singapore. "We prefer developed equity markets to emerging market equities, and that was a call put in place at the beginning of the year, because emerging market valuations looked far more stretched. That's no longer quite as strongly the case, but the point is developed-market equities are even more inexpensive than they were at the beginning of the year."

Barclays Wealth has a preference for equities in developed markets, but there is no broad consensus on the merits of emerging-market stocks vs. those in developed markets. Société Générale Private Banking likes emerging market equities, while J.P Morgan and Deutsche Bank generally like both sectors equally. Within emerging markets, however, there is a preference for Asian companies.

"The challenge is to encourage private clients not to avoid risk altogether since that is probably not in their long-term interest."

"Momentum remains supportive for equities, as valuations do not look overstretched," says Pierre-F. Baer, CEO of Singapore and South Asia for Société Générale Private Banking, based in Singapore. "And given that emerging economies are leading the recovery, with Asia at the forefront, we continue to favor the markets of China, Korea and Taiwan in North Asia."

As always, the challenge lies in choosing particular investments. Since late last year, Barclays Wealth has targeted high-yield Singapore stocks, and equities with large exposure to Asian economic growth, while Société Générale likes emerging market equities, particularly in the consumer sector.

Focus on quality

Solid but not necessarily spectacular companies, and high-dividend-yielding shares, are both in demand. "In a year where if you [the clients] don't think equity markets are going to go up 50%, and you are pretty sure distressed stocks are no longer trading at bargains, it makes sense to focus more on high-quality stocks, and stocks that have higher dividends," says Mr. Leung of J.P. Morgan Private Bank.

Basel-based Bank Sarasin, for example, began taking profits from its emerging market investments in December, and shifted most of those gains into what Burkhard Varnholt, chief investment officer, describes as super-competitive, attractively valued, blue-chip Western companies. Those companies, he says, are characterized by strong exposure to emerging-market growth; competitive exports helped by low domestic inflation, benign labor market conditions and weak currencies such as the U.S. dollar and the euro; strong balance sheets and dividend yields; and attractive valuations compared with bond yields and compared with their emerging market counterparts.

"Examples of these 'nifty-fifty' Western blue-chip companies would be stocks like Nestle, Coca Cola, McDonalds, Novartis, Novozymes, Boskalis, Linde, John Deere, IBM and others," says Mr. Varnholt. "That strategy has served us well and year to date it has still made us money, while emerging markets year to date are still in negative territory."

There is not as much consen-

In China, will it take a journey of a thousand miles?

The wealth-management industry in China is like a fertile orchard that is beginning to bear fruit, but is surrounded by a high fence and rugged terrain that makes harvesting difficult.

Many international private-wealth managers are on the ground in China, where they offer a limited array of wealth-management services, but for now, because of the nonconvertible Chinese currency and limits on the investment services they can offer in China, most of the action is offshore, with well-traveled mainland Chinese entrepreneurs opening private accounts in Hong Kong and Singapore.

Major future market

"At some stage, China will be a major domestic market with international banks that operate domestically, like Hong Kong and Singapore," says Lok Yim, head of North Asia for Deutsche Bank Private Wealth Management, in Hong Kong. "Some things need to happen, like the development of the local capital market, and the bond markets. That will happen in due course, but not in one or two years' time."

The potential of the market is not in question. The number of people in China with more than US$1 million in investable assets has surpassed the number in the U.K., and China now has the world's fourth largest population of such millionaires, according to Paris-based consultancy Capgemini's "World Wealth Report."

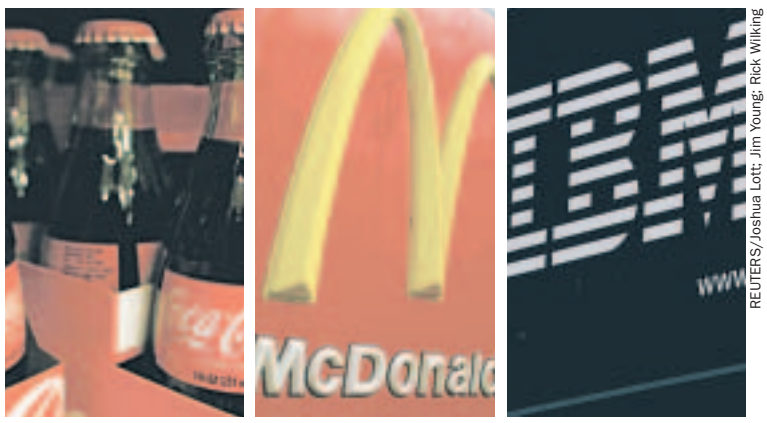
As the market grows, Chinese clients are becoming more sophisticated, says Alex Fung, Société Générale Private Banking CEO for Hong Kong and North Asia. "In the past, clients were

The number of people in China with more than US$1 million in investable assets has surpassed the number in the U.K., and China now has the world's fourth largest population of such millionaires.

tising Section

H MANAGEMENT

c outlook



REUTERS/Joshua Lott; Jim Young; Rick Wilking

Blue-chip Western companies with strong exposure to emerging-market growth are solid contenders for private-wealth portfolio investments.

sus on other investment sectors, although the managers are united in their belief that there is a place in most portfolios for selected commodities, currencies, and hedge funds. And in the fixed-income sector, several banks including Deutsche and J.P Morgan like high-yield credit, despite the lower ratings on those bonds. "In the fixed income universe we like high yield and corporate bonds," says Mr. Mahesh of Deutsche Bank. "We are a little more tilted to high yield, which is a little bit riskier. We are less enthusiastic about government bonds generally speaking, particularly in the G3 (U.S., Japan and the EU) area, because they are at such a low rate, and there is possibly little value in government bonds in the U.S., U.K. and Europe."

Regulatory changes

While most banks anticipate a moderately prosperous year, the process of managing client portfolios is never worry-free, and among the concerns for 2010 are a changing regulatory environment, mounting fiscal deficits and growing debt in developed countries, and geopolitical worries like the nuclear ambitions of Iran, and tension in the China-U.S. relationship that has fueled talk of trade protectionism.

On the regulatory front, there has been more talk than action so far, but private banks are keeping an eye on developments. "The regulatory environment does affect our investment outlook," says Mr. Varnholt of Bank Sarasin. "The role of government is going to increase, and whether that is for better or for worse remains to be seen, although it is possible that an increased government role could lead to higher debt, higher taxes and slower growth."

A number of private banks including J.P. Morgan, Barclays and Deutsche expressed concern about rising levels of debt in developed economies. A slowdown in stimulus spending, or a rise in taxes, as countries attempt to deal with the deficits, could derail the economic recovery. "One big worry we have stems from the fiscal balances of developed markets, which do look quite bad, and do need to be cut back to be sustainable," says Mr. Gill of Barclays Wealth. "The problem is we have an economic growth cycle that is still fragile, and at the same time are beginning what could be one of the largest fiscal tightenings in history."

But in general, the positives outweigh the negatives, and if no major disruptions occur, the managers should deliver reasonable profits to their clients at the end of the year. "The house view is that this year we should end up with positive returns, but much more moderate than what we had last year," says Mr. Gill. "It will be a much more bumpy ride."

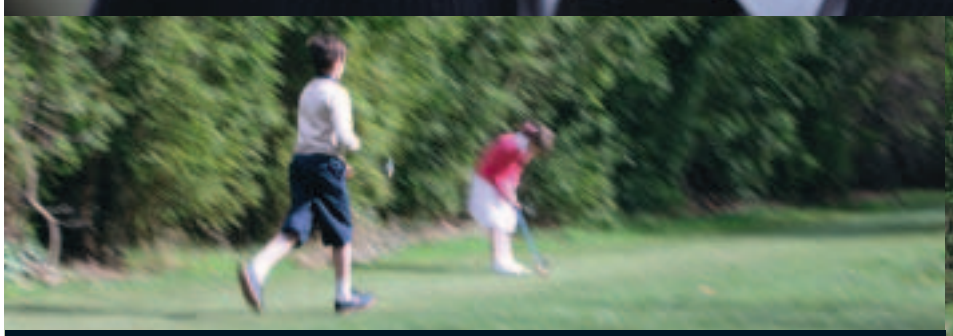
The text of this Special Advertising Section was written by Brent Hannon.

REUTERS/Nir Elias

relatively passive, and they focused more on offshore services and having a safety net," he says. "Now, they are looking for real investment advisory."

Local competition

In the future, says Deutsche Bank's Mr. Yim, private banks that find a way to link investment banking and private banking together are the ones that will succeed. "Also," he says, "we are going to see an increase in local competition, and we may be surprised at the competition that we will face from local banks."



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FROM PAGE ONE

Google's Brin decries limits in China

Reuters

Sergey Brin, shown at a panel discussion in Mountain View, Calif., last month, says Beijing's censorship revived memories of his childhood in the Soviet Union.

Continued from first page

with the matter. Mr. Brin and other executives prevailed over Chief Executive Eric Schmidt and others who felt that Google ought to stay the course in China to continue to push its principles from the inside, say people familiar with the discussions.

"We did have a long conversation about it, several long conversations," Mr. Brin said. "We heard all the arguments." When asked if Mr. Schmidt and co-founder Larry Page were available for comment, a Google spokeswoman said Mr. Brin was speaking on behalf of the company.

What's next for Google in China is uncertain. Its business is in jeopardy. Some partners— like Hong Kong media company **TOM Group** Ltd—dropped their search agreements with Google, citing the need to abide by Chinese law. Employees are contemplating defecting to rivals like **Microsoft** Corp., according to recruiters.

Tianya, an Internet company which runs one of China's most popular online forums, said Wednesday it would discontinue working with Google on several projects in light of the company's decision to snub Chinese authorities.

Beijing has called Google's move "totally wrong." Internet experts are skeptical that China will let Google continue to route traffic from its China site to Hong Kong. While Google isn't censoring that site, China's Internet filters are blocking some results for users in China.

Mr. Brin's doubts over Google's early agreement to censor in China hark back to his childhood in the Soviet Union, which his family left in 1979 to escape anti-Semitism. Mr. Brin was six, but he said he is reminded of the constant fear of surveillance through memories such as police visiting his family's apartment to question his parents after they made the decision to emigrate.

To this day, Mr. Brin said, he and his family often reflect on the significance of the move. His father, he said, wanted to be an astrophysicist, but because of ethnic discrimination became a mathematician. He relished the freedom to pursue "his own entrepreneurial dreams," he said. His father became a professor of mathematics at the University of Maryland.

China was a big test. Google was eager to be a player, hopeful that it could increase access to information and sensing business opportunities.

Google set up a Chinese research-and-development center in 2005, and executives began to debate whether they should open up a search engine on Chinese soil—a move that would require them to filter out content ahead of time that they thought the Chinese government would deem objectionable.

Messrs. Brin, Page and Schmidt agreed that launching a search engine—and putting a disclosure on the site saying that some information had been removed—would generate awareness among Chinese Internet users that information was being restricted.

In late 2008, just after the Summer Games, the censoring stiffened Mr. Brin said. Chinese authorities also began to tell Google it needed a number of additional licenses to operate its business, according to people familiar with the requests.

Last year, Google was further hamstrung when Beijing accused it of having too much pornography on its site and forced Google to disable some features. Google's YouTube video service, which China had blocked periodically over the years, became inaccessible in the country.

Mr. Brin said Google was still evaluating its options when it discovered it was struck by a highly sophisticated cyberattack in late 2009.

After Google discovered evidence that the motivation of the attacks was to peek at the emails of Chinese activists, Mr. Brin said, he had had enough. "Ultimately I guess it is where your threshold of discomfort is," Mr. Brin said. "So we obviously as a company crossed that threshold of discomfort."

As for China, Mr. Brin said Google is reviewing its businesses, including the ones it still hosts in China like maps and its music search service. "We have stepped into a new world and will be looking at all the services," he said.

And he is still holding out hope for the end-game. "I certainly hope that the long-term solution is the liberalization of the Internet in mainland China," he said.

U.S. is urged to avoid rash action on the yuan

Continued from first page

tional Monetary Fund to pressure China to allow the yuan to rise.

Fred Bergsten, director of the Peterson Institute for International Economics, told lawmakers that a correction in the value of the yuan "would be the most cost-effective step that can be taken to reduce the unemployment rate in the U.S."

Mr. Bergsten said the yuan is undervalued against the U.S. by 40% and 25% against on a trade-weighted basis.

If that disparity didn't exist, Mr. Bergsten said, there would be a $100 billion to $150 billion reduction in the U.S. current account deficit, leading to the creation of an additional 600,000 to 1.2 million U.S. jobs.

Niall Ferguson, an author and history professor at Harvard University, said though that any drastic moves by the U.S. could end up harming an economic recovery in the country.

For their parts, the lawmakers seemed to be more in listening mode than in declaring what action they intended to take.

Rep. Sander Levin (D., Mich.), the chairman of the committee, laid out the case for and against action by the U.S. Last week, at a press briefing, Mr. Levin voiced skepticism that it would be possible to solve the problem unilaterally.

His Republican counterpart on the panel, Rep. David Camp (R., Mich.) said that while the country must focus on the currency issue, it should not do so at the exclusion of other matters like intellectual-property theft by China.

This, he said would "more likely to lead to collective frustration than to any improvement in the health of the critical U.S.-Chinese economic relationship."

Senate lawmakers have opted for a much more confrontational approach.

They introduced legislation last month that would force the Obama administration to take action including applying tariffs against Chinese imports.

To date, the administration has said that it believes China should allow the yuan to rise in value, but has shied away from taking any action to apply pressure to the country.

Rep. Charles Rangel (D., N.Y.), who recently stepped down from the helm of the Ways and Means Committee due to a continuing ethics investigation, challenged the administration to show more leadership on the issue.

"Does anyone in this room actually think the Treasury Secretary will designate China as a currency manipulator," Mr. Rangel said.

Samsung's former chief to return, but in a reduced role

Continued from first page

He becomes the latest high-profile executive of a major South Korean company to return to work after a period of rehabilitation following a criminal episode.

Leaders of **Hyundai Motor** Corp. and **SK Group**, a conglomerate of energy and telecommunications firms, underwent similar experiences.

Despite stepping down, Mr. Lee's influence inside Samsung barely eroded as its various companies continued to be led by people he hired and promoted.

And the announcement that he would return to Samsung in some type of official capacity surprised few people in South Korea, where he has been routinely called "Chairman Lee" even after his resignation. Under South Korean tradition, leaders of family-controlled business groups stay in control until they die. Mr. Lee's sudden resignation during the tax-evasion case violated that tradition.

In a recently published book, the former Samsung attorney whose whistle-blowing in 2007 prompted the investigation of Mr. Lee said he expected the former chairman to return to some form of power. Mr. Lee's father, who started the Samsung Group with a trading firm in 1938, led all group units his death in November 1987.

During his two-decade tenure, Mr. Lee increased the combined annual revenue of Samsung companies to more than $150 billion from $13 billion. For more than a year, executives at various Samsung companies have discussed ways that Mr. Lee could return that would restore some of that legacy but not upset critics, particularly in South Korea, who feel he didn't pay enough of a penalty.

"Now that he is coming back to the company, he should return as a mentor or newly born leader, not as the king," says Jang Ha-sung, dean of Korea University's business school and an expert on corporate governance.

As part of the effort to sell Mr. Lee's return, Samsung issued a statement attributed to Mr. Lee that suggested the electronics company is in a "real crisis."

"Many global companies are experiencing enormous challenge and uncertainty of the future and Samsung is no exception," the statement said. "In 10 years, [the] majority of businesses and products that represent Samsung may no longer exist."

But at the moment, Samsung Electronics is riding higher than ever. Analysts expect the company this year to shatter the record $10 billion profit it earned in 2004 and to move past **Hewlett-Packard** Co. as the largest high-tech company by revenue.

A Samsung executive acknowledged the company's current good fortune but said Mr. Lee's style is to emphasize caution and even crisis during good times because fortunes shift quickly in the electronics industry.

For more than a year, Samsung executives have discussed ways that Mr. Lee could return.

The first public sign that Samsung was looking to bring Mr. Lee back came last September when Samsung Electronics president Choi Gee-sung told some Korean news outlets that some level of oversight by the founding family is good for the company.

In December, Mr. Lee's son, Lee Jae-yong, was appointed chief operating officer of Samsung Electronics, a sign that he may one day rise to chairmanship of the company and continue its family-led tradition. Later that month, South Korean President Lee Myung-bak pardoned Mr. Lee in hopes that the executive would to return to his position on the International Olympic Committee and help South Korea win a bid to host the 2018 Winter Olympics.

In January, Mr. Lee attended the Consumer Electronics Show in Las Vegas, the largest trade show in the consumer electronics industry, with his wife and daughters. He also attended the Winter Olympics in Vancouver and met customers of Samsung Electronics there. The company has been an Olympic sponsor since 1998.

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Fujitsu shuffles board amid feud

Tech giant's dispute with ex-president spurs corporate-governance questions, in rare overhaul for a Japanese firm

By Juro Osawa And Daisuke Wakabayashi

TOKYO—In a rare wholesale change of its governing board, **Fujitsu** Ltd. said two-thirds of its directors will step down in the aftermath of an unusual public feud with its former president, raising questions among analysts and the Tokyo stock exchange about the tech giant's governance.

It is an unusual case of a major Japanese company overhauling its board, because of the importance placed on continuity and knowledge of a company's businesses and strategies in Japan.

"Over the past decade, I have never heard of such a huge board-member reshuffle at a listed company," said Toshiaki Izeki, a professor of policy management at Keio University.

Bloomberg News

Former Fujitsu President Naoyuki Akikusa, seen in 2006, is leaving the board.

The six board members will resign at the company's June shareholder meeting. Fujitsu said one of the outgoing board members is Naoyuki Akikusa, an influential former Fujitsu president who has maintained a seat on the board for 22 years. Fujitsu said it will add seven new members pending approval at the shareholder meeting June 21.

The news came a month into a messy public fight between Fujitsu and another former president, Kuniaki Nozoe, who says he was forced to resign in September on false pretenses.

At the time, the company said Mr. Nozoe resigned for health reasons. But Mr. Nozoe later said he was actually forced to step down amid accusations from other executives who accused him of doing business with an acquaintance linked to "antisocial forces." The term is a widely used euphemism in Japan for organized crime.

Mr. Nozoe has denied those charges and has asked that Fujitsu convene a board meeting to explain what happened with his departure since he says he is still unclear about the real reason for his ouster.

The company said Wednesday that the board shake-up wasn't related to the situation with Mr. Nozoe. A Fujitsu spokesman said there was a major turnover because the company was bringing in a new, younger management team and wanted to align its board accordingly. In January, Fujitsu announced that Masami Yamamoto, 56 years old, currently the head of its computer-server business, will be the company's next president, starting on April 1.

As for the 71-year-old Mr. Akikusa, a Fujitsu spokeswoman said he expressed the intention to step down in early February, prior to when Mr. Nozoe went public with his claim that he was forced out by

Please turn to page 24

Honda soars above hybrid sales target

By Mariko Sanchanta And Hiroyuki Kachi

As **Toyota Motor** Co. attempts to rebuild its reputation around the world, **Honda Motor** Co. on Wednesday said orders for its new hybrid sports car exceeded its forecast by 10 times, quietly stealing the march from its main Japanese rival.

Honda unveiled its CR-Z model in Japan roughly a month ago, making it the first mass-market hybrid sports car to hit dealerships. The company said cumulative orders for the car had exceeded 10,000 vehicles, far surpassing its monthly sales goal of 1,000 vehicles. Japan's second-largest car maker plans to introduce the model in the U.S. and Europe after June, with a combined annual sales target of 40,000 to 50,000 in the three markets.

The move comes as Honda has benefited from its chief rival's woes. Toyota has recalled more than eight million vehicles world-wide, denting consumer confidence in its brand in the U.S., its biggest market. Though Honda has publicly said it wouldn't offer special incentives for drivers to buy its cars over Toyota's—unlike U.S. rival **Ford Motor** Co.—its brand has steadily gained more fans over the past few months. In ALG's Spring 2010 Automotive Consumer Attitudes Survey, Toyota fell from first to sixth place in its perceived quality score, and Honda rose to first place with a score of 83.2, followed by **Nissan Motor** Co.

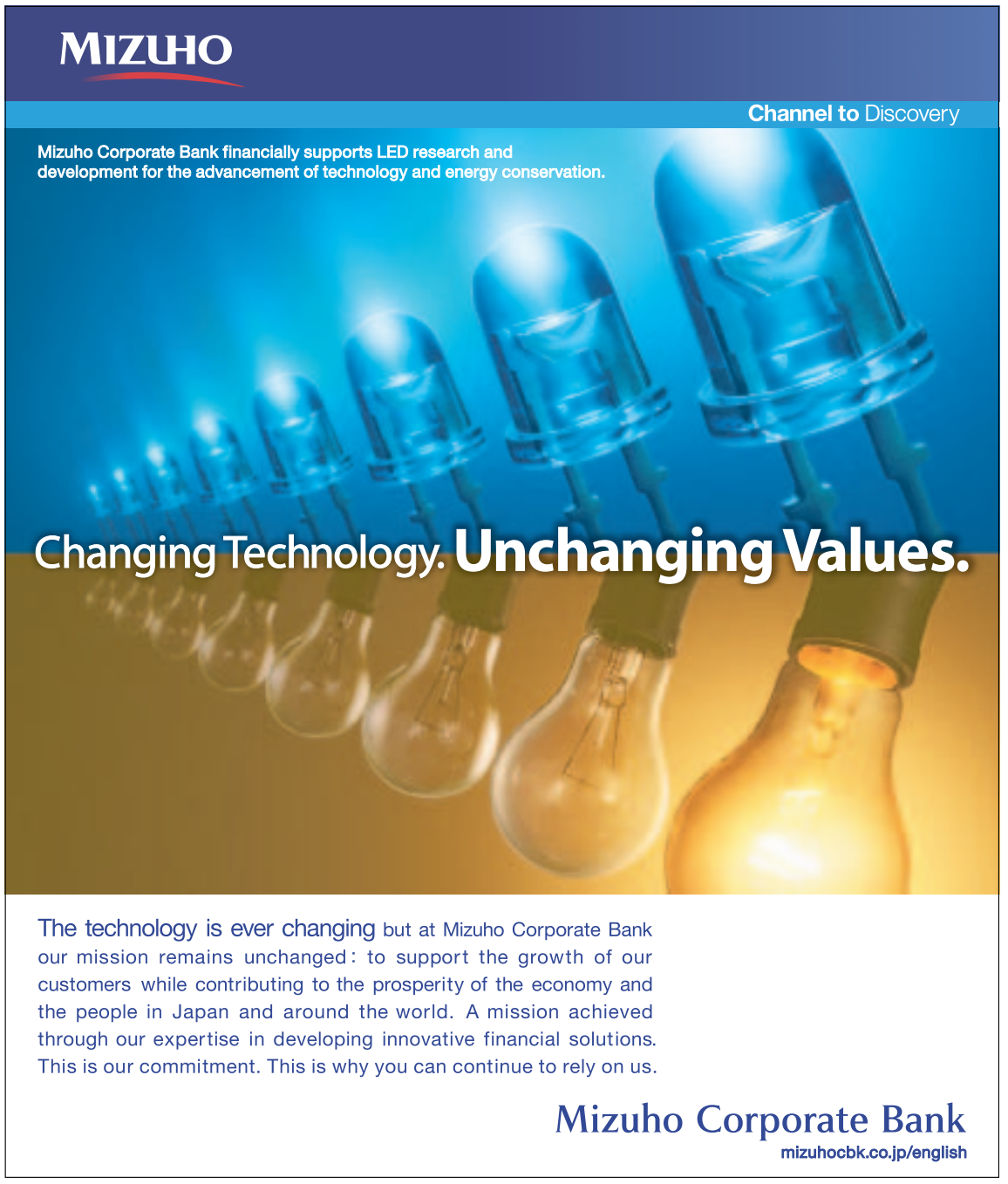
"If [Honda] can gain sales, they are going to promote the brand at the expense of Toyota," said Chris Richter, automotive analyst at CLSA Asia-Pacific Markets. Honda is the No. 2 hybrid car maker by volume after Toyota, and its Insight hybrid car was the first mass-produced hybrid automobile sold in the U.S.

Honda's new CR-Z is the successor to its Honda Civic CRX, a two-seater coupe that was introduced in 1984. In Japan, the CR-Z costs 2,498,000 yen ($27,630) for the high-end model. Honda said 90% of the orders had been placed by men, with most purchasers in their 30s and 40s. Honda has nearly reached its domestic annual sales goal of 12,000 in just under a month.

Still, Honda has a long way to go to catch up with the popularity of Toyota's Prius hybrid vehicle, which is the best-selling car in Japan. More than 27,000 Priuses were sold in February, making the Prius the best-selling model for the 10th straight month, according to the Japan Automobile Dealers Association.

"It might be too small for Americans," said Mr. Richter, referring to the fact that the CR-Z's North American model will only have two seats. "The Prius is a bona fide family car."

Honda expects net profit to soar 93% to 265 billion yen in the current fiscal year ending March 31. The company said Tuesday that it expects to sell about 100,000 vehicles a year in India and Thailand of a new, low-priced model slated for launch in 2011. The new small car will be priced around 500,000 rupees ($11,000) and based on the popular four-door Fit model.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China Unicom's net plunges

Profit fell 73% last year on 3G start-up costs; focus on 'quality' users with high data usage

By Lorraine Luk

HONG KONG—**China Unicom (Hong Kong)** Ltd. said its 2009 net profit fell 73% from a year earlier due to hefty start-up costs associated with its third-generation mobile business.

China Unicom Chief Financial Officer Tong Jilu said Wednesday the company's future profitability hinges on the growth of its 3G mobile and its broadband Internet business.

The telecom operator, which ranks second behind **China Mobile** Ltd. in terms of subscribers, has been striving to boost its profitability amid rising competition after it sold its code division multiple access mobile business to **China Telecom** Corp. in 2008 and transformed into a nationwide full-service operator offering fixed-line, broadband and mobile services.

Competition in China's telecommunications market has further intensified since the government awarded 3G licenses to China Unicom, China Mobile Ltd. and China Telecom in January 2009. Analysts said higher marketing expenses and rising network depreciation costs will drag down China Unicom's earnings this year and the company's fixed-line business is still under pressure from subscribers switching to mobile phones.

China Unicom said its net profit for the 12 months ended Dec. 31 fell to 9.56 billion yuan ($1.4 billion) from a restated 35.4 billion yuan a year earlier.

Stripping out impairment losses, disposal gains and amortization of upfront connection fees, the company said its adjusted net profit fell 35% to 9.61 billion yuan from 14.84 billion yuan a year earlier. Revenue fell 3.7% to 153.95 billion yuan from 159.79 billion yuan.

Chairman and Chief Executive Chang Xiaobing said the company aims to add more than 10 million 3G subscribers this year. He reiterated the company is targeting an increase in the number of its 3G mobile users by more than one million a month and aims to maintain its 3G average revenue per user at more than 100 yuan.

The company had 4.1 million 3G users at the end of February, but its monthly net addition has been slowing down.

Reuters

Chairman and CEO Chang Xiaobing said China Unicom aims to add more than 10 million 3G subscribers this year.

The company added 470,000 3G users at the end of February, sharply lower than 853,000 in January and 920,000 in December.

Mr. Chang said the company has been adding 3G subscribers slowly in the past few months because it has focused on adding "quality" users that have high data usage. The company expects its capital expenditure this year to amount to 73.5 billion yuan, down from 112.5 billion yuan in 2009.

Despite launching **Apple** Inc.'s iconic iPhone in late October to boost its 3G mobile business, China Unicom had the least amount of 3G users among China's three telecom carriers at the end of February. China Telecom said Monday it had more than five million 3G users at the end of last month, while China Mobile had 4.28 million 3G users during the same period.

Average revenue per user—a key industry gauge to determine the long-term growth rate of telecom operators—fell to 41.6 yuan in 2009 from 42.3 yuan a year earlier, the company said.

China Unicom has been keen on offering more 3G handset models to drive its 3G business. Mr. Chang said the company is in talks with **Research In Motion** Ltd. on the launch of Blackberry devices.

President Lu Yimin said the firm launched a handset based on **Google** Inc.'s Android operating system manufactured by **Motorola** Inc. this month, but it decided not to preinstall Google's search function given the U.S. Internet giant's decision to stop censoring its Chinese Web site in defiance of the government.

Asked whether Google's row with the Chinese government will hurt the company's launch of future Android phones, Mr. Chang said: "We are open to cooperating with any handset makers and companies. But they must obey China's regulations."

Mr. Chang said though the company will still focus on its domestic market, he doesn't rule out overseas investments for additional growth opportunities. But he declined to give more details.

His comments came after China Unicom said last month it would be interested in exploring the possibility of an equity investment in **Nigerian Telecommunications** Ltd. subject to certain conditions being fulfilled.

Broadband stays tense in Australia

By Cynthia Koons

SYDNEY—Australia's communications minister, Stephen Conroy, said Wednesday that negotiations are continuing between government-owned **NBN** Co. and **Telstra** Corp. about how the two can work together on a planned national broadband network, but he added that NBN can "absolutely" build the network without Telstra.

The minister's stance indicates the tensions between the government and the formerly state-owned telecommunications company are still high. While he has threatened to forge ahead without Telstra's cooperation in the past, many analysts still view the company as the best-positioned to build the network given its existing infrastructure.

Mr. Conroy declined to comment on what Telstra last week called a "significant gap" between the parties' financial expectations about the value of the company's assets that could be sold into the network.

He declined to say how big the gap is, but confidential documents accidentally leaked by the government last October valued Telstra's telecom-network assets at anywhere between A$8 billion and A$40 billion, illustrating how difficult it is to put a price tag on the assets.

"There continues to be constructive discussions" with Telstra, Mr. Conroy said in Sydney. He said he expects negotiations to be completed by July. A spokesman for Telstra said the parties remain in talks.

"The government started from the basis that it can build it without Telstra," Mr. Conroy said. "It would be faster to build, and cheaper to build if there is an agreement with Telstra. But the government started out on the basis that we are prepared to build it without Telstra."

Construction on network is to start later this year, but its viability has hinged on the government reaching an agreement with Telstra to prevent the company from acting as a major competitor to the plan.

— Rachel Pannett and Lyndal McFarland contributed to this article.

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Corrections & Amplifications

Australia's consul-general in Shanghai is Tom Connor. A page-one article Tuesday on the trial in China of four **Rio Tinto** PLC employees incorrectly spelled his surname as Conner.

Acquisitions boost Li & Fung profit

Hong Kong supplier to major U.S. retailers expects to benefit this year as consumer buying comes back

By Kate O'Keeffe

HONG KONG—Trading firm **Li & Fung** Ltd. said Wednesday its 2009 net profit rose 39% because of increased contributions from newly acquired businesses with higher margins and stringent cost controls, which more than offset the decline in revenue.

The earnings growth for Li & Fung comes as the global economy emerges from a punishing recession that forced companies to decimate inventory levels, but the trading firm's results still fell short of analysts' expectations.

Li & Fung's net profit for the 12 months ended Dec. 31 rose to a record HK$3.37 billion (US$434.2 million) from HK$2.42 billion in 2008, when the company was hit by one-off restructuring costs in its U.S. business. Analysts had expected a net profit of HK$3.70 billion, data provider Starmine said, citing the average forecast of 16 analysts surveyed.

A 14.4% decrease in operating costs excluding mergers and acquisitions and outsourcing deals boosted earnings, the company said.

Revenue for the year fell 6% to HK$104.48 billion from HK$110.72 billion amid weak consumer markets and customer insolvencies during the global financial crisis. The company said it expects strong revenue growth to return in 2010.

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Managing Director William Fung, left, and President Bruce Rockowitz, attend a news conference in Hong Kong Wednesday.

The Hong Kong-based company reiterated plans to seek more acquisition opportunities in the U.S., Europe and Hong Kong to expand beyond core sourcing operations and into higher margin businesses such as retailing and brand licensing.

"The pipeline of deals remains very strong and many of them focus on the high-potential health and beauty, footwear and European onshore businesses," company President Bruce Rockowitz said.

At the same time, Li & Fung sees strong growth prospects from its sourcing business following a recently signed agreement with **Wal-Mart Stores** Inc., under which the U.S. retailer could buy US$2 billion of goods through Li & Fung in the first year of the deal.

Li & Fung Managing Director William Fung Wednesday called the tie-up with the world's biggest retailer by revenue the "real mother of all deals," but didn't elaborate on what the potential upside could be.

The company, which also sources products for U.S. retailers such as **Abercrombie & Fitch** Co. and **Kohl's** Corp., declared a final dividend of 49 Hong Kong cents a share, up from 33 cents in the previous year.

Li & Fung completed a slew of acquisitions in 2009, including the October purchase of nearly all the assets of U.S. children's wholesale apparel designer and marketer Wear Me Apparel LLC for up to US$401.8 million. The Wear Me deal was its biggest acquisition since 2001.

In February 2009, the company bought the sourcing operations of U.S. fashion retailer **Liz Claiborne** Inc. for around US$83 million and entered into a "long-term, exclusive" agreement to act as the primary global apparel and accessories sourcing agent for all the U.S. company's brands.

Li & Fung's acquisition spree was underpinned by its large cash reserves, which stood at US$1 billion in January, boosted by earlier fund-raising deals, including the US$346 million it raised through a share placement in May last year and US$500 million raised in 2008.

Last month, the company said it agreed to buy U.K.-based apparel supplier **Visage Group** Ltd. for up to HK$2.08 billion to expand its business in Europe.

Iron-ore prices cast doubt on venture

By Alex Wilson

MELBOURNE—A planned iron-ore joint venture with rival **BHP Billiton** Ltd. is looking less attractive for **Rio Tinto** Ltd. as iron-ore prices rise, with some within the miner hoping competition regulators will scuttle the deal, Australian mining-industry participants said Wednesday.

Rio Tinto remains publicly committed to a deal that the two miners say will deliver $10 billion in synergies. One mining executive said Rio Tinto Chief Executive Tom Albanese couldn't afford to admit another misstep. His tenure has featured the top-of the cycle purchase of Alcan, the rejection of BHP's takeover bid and a failed attempt at an unpopular $19.5 billion bailout by Aluminum Corp. of China.

But mining-industry participants say some within Rio Tinto have deep doubts about the joint venture, which was unveiled in June last year, and wouldn't be concerned if competition regulators blocked it.

With spot iron-ore prices more than double last year's benchmark, analysts say an equalization payment of $5.8 billion that BHP Billiton would make to Rio Tinto as part of the deal in recognition of Rio Tinto's larger West Australian iron-ore business is now looking cheap.

"There are noises coming from within the company, and there is a view in the market, that they should re-examine it," said an analyst.

One mining-industry participant said the deal was struck when Rio Tinto was still grappling with the $38.7 billion of debt it incurred in the takeover of Alcan, but the company had now righted itself thanks to the recovery in prices, asset sales and its $15.2 billion rights issue. "It is a vastly different landscape."

A Rio Tinto spokesman said the company remained "very committed" to the joint venture, which was a "win-win" for both miners.

BHP Billiton declined to comment on the impact iron-ore prices may be having on the attractiveness of the equalization payment, though it pointed to the original announcement of the deal, which mentions some flexibility to adjust the size of the payment based on cash flows between July 1, 2009, and the closure of the deal. Just how much flexibility is unclear.

Few expect Rio Tinto to have the stomach to walk away from the deal after the tumult of the past 18 months, and given the $275.5 million break fee it would incur as it is divesting assets to pay down debt.

The biggest barrier to the deal is approval by the European Union's executive arm, the European Commission, which is being lobbied by steelmakers worried about prices.

"Rio will not be disappointed if the European authorities don't allow the deal to proceed," a third analyst said. The European Commission hasn't said when it is likely to hand down its findings, while the Australian regulator is due to rule by April 18 and is widely expected to pass the deal, as it had earlier approved a proposed full BHP bid for Rio.

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CORPORATE NEWS

BG, Cnooc reach Australian gas deal

Under a 20-year agreement, China intends to buy LNG from a proposed export terminal in Queensland state

By Rachel Pannett

CANBERRA, Australia—**BG Group** PLC and **China National Offshore Oil** Corp. signed a 20-year sale-and-purchase agreement for liquefied natural gas from Queensland state, Australia's energy minister said, in a deal that could extinguish some doubts about the viability of using coal-seam gas for export.

Cnooc will purchase 3.6 million metric tons of gas a year from BG's proposed export terminal in Queensland. Subject to regulatory approvals, Cnooc also will buy 5% of BG's interests in certain coal-seam gas tenements in Queensland's Surat Basin and become a 10% shareholder in one of the plant's first two LNG processing trains, Energy Minister Martin Ferguson said Wednesday. The binding deal comes nearly a year after Cnooc agreed on initial terms for the purchase.

"This deal makes Australia the world leader in the coal-seam gas-based LNG industry and it brings us one important step closer to opening up a new LNG province on Australia's east coast," Mr. Ferguson said in a prepared statement. He added that the deal is a "vote of confidence" in the industry.

Bloomberg News

Australian Energy Minister Martin Ferguson lauded the pact. Above, Mr. Ferguson in Sydney earlier this year.

Coal-seam natural gas—trapped stores of methane hundreds of meters below the Earth's surface—is one of the world's hottest energy plays. On Monday, **Royal Dutch Shell** PLC and **PetroChina** Co. agreed to buy most of the Australian assets of coal-seam gas producer **Arrow Energy** Ltd. in a $3.15 billion deal, subject to regulatory and shareholder approval.

The increasing global interest in coal-seam gas—where the gas is supercooled into liquefied natural gas—reflects shrinking access that Western companies have to conventional natural-gas reserves and the environmental benefits of coal-seam gas, which doesn't produce sulfur dioxide or particulates and emits 50% less carbon-dioxide than coal. However, technical hurdles must be overcome, as coal-seam gas hasn't been turned into liquefied natural gas for export previously.

Mr. Ferguson said Wednesday that Australia's Foreign Investment Review Board already has approved Cnooc's equity investment in BG's coal-seam resources.

Environmental approvals from the Queensland state government are among the few regulatory barriers that remain to a final investment decision that BG has said is likely by midyear.

The energy minister's upbeat comments regarding coal-seam gas may also reassure others with interests in the sector, such as PetroChina, that recent tensions in the Australia-China relationship won't deter Canberra from approving their investments.

Australia has grappled in recent times over how to deal with China's growing appetite for resources assets, particularly where it also is a key customer of its targets. Those tensions increased this week with the Shanghai trial of **Rio Tinto** executive and Australian citizen Stern Hu on charges of bribery and stealing commercial secrets in iron-ore negotiations.

In a speech at the BG-Cnooc signing ceremony in Beijing, Mr. Ferguson said he hopes Australian LNG can be the "predominant source of supply" for new LNG terminals along China's coastline.

"Australia's trading relationship with China is healthy and mutually beneficial," he said. "Australia is committed to strengthening that relationship and being an important partner in our region's economic growth."

In volume terms, Wednesday's deal is the biggest single LNG contract in Australia's history, dwarfing a deal announced by **ExxonMobil** Corp. last year to supply 2.25 million metric tons of LNG a year to PetroChina from the Gorgon gas field off Western Australia's coast.

Cnooc, the state-owned parent of Hong Kong-listed Cnooc Ltd., has been a front-runner in importing LNG to China, with three LNG terminals along China's coastline and plans for several more.

China wants natural gas to play a bigger role in its energy mix because it is a cleaner fuel than crude oil and coal, which currently meet about 90% of its energy needs.

—Ross Kelly, David Winning and Wan Xu contributed to this article.

Broad changes on Fujitsu board spur questions on firm's governance

Continued from page 21

fellow Fujitsu executives. Mr. Akikusa will stay on as a senior executive adviser after leaving the board.

But the ongoing drama with Mr. Nozoe has drawn criticism from analysts and investors. "Foreign investors may become concerned about corporate governance at Fujitsu—questions about who is really in charge, about who is accountable for Fujitsu's corporate actions and whether corporate actions are truly in the best interest of shareholders," Macquarie Securities analyst Damian Thong wrote in a recent note.

And earlier this week, the head of the Tokyo Stock Exchange also criticized the company's handling of the matter. "As a prestigious company with shareholders across the world, Fujitsu should offer an explanation over the matter, and I expect the firm to do so," TSE president Atsushi Saito said at a news conference, according to local media reports.

The dispute involving Mr. Nozoe has raised broader questions about corporate governance at Japanese companies, where, as at Fujitsu, influential former executives often maintain loyal factions inside the company, even after stepping down from an official capacity.

Such a hefty presence inside the company often makes it difficult for a new leader to make necessary changes because undoing past strategy could upset the former executives.

According to Mr. Nozoe's lawyer, Kei Hata, Mr. Akikusa was one of the Fujitsu officials present at a Sept. 25 meeting when Mr. Nozoe was asked to resign on allegations he had done business with an acquaintance linked to "antisocial forces."

Mr. Nozoe has asked the company to rescind his resignation, denying any links to organized crime, in a rare act of defiance for a high-ranking executive who has left a leading Japanese company.

Other than his board seat, Mr. Akikusa holds no official executive position at Fujitsu. But he is still a powerful figure, playing a central role in determining top-level personnel decisions, according to people familiar with the company.

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CORPORATE NEWS

Wynn Macau boosts earnings 1.4%

Cost cutting helped casino operator last year amid weaker revenue; new Cotai project awaits government approval

By Kate O'Keeffe

HONG KONG—**Wynn Macau** Ltd. said Wednesday it eked out a 1.4% increase in net profit last year due to cost-cutting measures, though revenue fell as the global economic downturn, a swine-flu outbreak and mainland China visa restrictions weighed on its operations.

The casino operator said that the operating environment in Macau, the world's biggest gambling market by revenue, began improving in the second half last year.

Wynn Macau, which listed in Hong Kong in October, said its net profit for the 12 months ended Dec. 31 was 2.07 billion Hong Kong dollars (US$267 million), in line with a forecast it made in February and up from HK$2.04 billion in 2008.

"We have carefully managed our labor force and aggressively negotiated with many of our vendors to secure lower rates on existing contracts, and are continually reviewing the cost and efficiencies at our property to identify further opportunities to reduce costs during these uncertain economic times," the company said in a statement.

Casino revenue fell 5% to HK$13.19 billion last year from HK$13.88 billion in 2008; total revenue slipped 4.3% to HK$14.08 billion from HK$14.71 billion.

Wynn Macau, a unit of **Wynn Resorts** Ltd., didn't recommend a final dividend.

Its result comes after **Las Vegas Sands** Corp.'s Macau unit, **Sands China** Ltd., reported this month a 22% rise in 2009 net profit to US$213.8 million, from US$175.7 million in 2008.

Wynn Macau said it expects to open an expansion of its flagship Macau project in April. The Encore at Wynn Macau will add about 410 luxury suites and four villas, gambling space, restaurants and retail space, it said.

Bloomberg News

Wynn Macau said it expects to open an expansion of its flagship Macau project in April.

The company also said it is awaiting approval from the Macau government for the right to lease an approximately 20.8-hectare site in the Cotai area to build an integrated casino and resort of up to 6.9 million square feet. But "the specific parameters of any potential Cotai project, including whether such project is to be built at all, are subject to change."

Last week, Macau Chief Executive Fernando Chui said in his first policy speech that he will review casino projects to promote the healthy and orderly development of the city's gambling industry as gambling revenue continues to soar.

Mr. Chui also said the government is considering taking back land allocated for casinos if developers have no proper plans to build on the sites.

The Chinese government has urged Macau's leaders to rein in the city's rapid gambling industry growth because of concerns about social instability and fears that too many mainland Chinese are gambling away their wealth in Macau, the only place in China where casinos are legal.

Beijing has also made clear it wants Macau to diversify its economy away from the gambling industry, which currently contributes around 70% of government revenue.

Aaron Fischer, head of Asian consumer and gambling research at CLSA, said: "We are very keen to hear more about the company's plans for Cotai, which we believe will become the center of gravity for Macau. They've got quite a big site on Cotai but we're not sure the market's ready for something that size targeting the very high end," he said.

Citigroup, which has a "sell" recommendation on Wynn Macau, wrote in a recent report that it expects the opening of Encore Macau to generate little revenue growth for the company, and is concerned about increased competition arising from Sands China Ltd. and **Galaxy Entertainment Group** Ltd. opening new establishments on Cotai in 2011.

The brokerage firm also said it believes Wynn Macau is the most exposed to competition from Singapore, which recently entered the Asian gambling market.

"Although [Wynn Macau] management continues to indicate that Asean makes up around 5% of gaming revenue, our local junket contacts suggest that this number could be materially higher," Citigroup wrote.

But Nomura, which has a "buy" rating on Wynn Macau, said concerns about Singapore casino openings posing severe risks to Wynn Macau, especially its Asean VIP business, are overdone, and likely strong statistics for Macau's gambling market in coming months as well as the company's new casino opening will spur the stock higher.

"Wynn Macau's high-end market positioning has often caused it to be misinterpreted as a VIP-focused casino. In fact, Wynn Macau not only has the second-highest mass market share in Macau by property, but it also has one of the most profitable mass gaming businesses," Nomura said in a recent report.

GM picture brightens as sales and savings kick in

By Sharon Terlep

General Motors Co. appears to be making progress in the first quarter, benefiting from savings won in bankruptcy court, an improving economy and firmer pricing.

At the same time, the U.S.'s largest car maker has seen sales rise and is on track to produce 75% more vehicles in the first quarter in North America than a year ago.

The U.S. auto maker is benefiting from a reduction of fixed costs that resulted in part from actions taken while it was under bankruptcy-court protection last year.

Some analysts believe GM could come close to breaking even in the first three months of the year—a milestone after years of major losses.

"They have been able to take out billions in fixed costs and, once they get over that break-even point, there is going to be a lot of cash flowing in," said Morningstar Inc. auto analyst David Whiston. "I would expect them to be profitable very soon."

Last week, GM Chief Financial Officer Chris Liddell said the company has a "reasonable" chance of becoming profitable in 2010, and a "remarkably strong" balance sheet. In January, Chairman and Chief Executive Edward E. Whitacre Jr. predicted the company would report a profit in 2010, and said he hoped that would be on a net basis.

GM still faces many challenges. Sales in Europe are down this year and the company is attempting a costly and politically difficult restructuring of its German-based Opel unit. In the U.S., sales are rebounding but not as fast as those of competitors such as **Ford Motor** Co.

The company still has to repay the remaining $5.7 billion of $6.7 billion in cash loans from the U.S. government. And while production is up compared to a depressed 2009, it is still way below that of earlier this decade.

The company won't release financial details on the first quarter until later in the year. In the next few weeks, it will provide a delayed report on its performance in the fourth quarter of 2009. Those data are expected to show GM burned through billions of dollars in cash in the three months, in part because it started repaying loans from the U.S. and other governments.

Associated Press

GM in the next few weeks will release delayed results for the fourth quarter. Above, shoppers in November at a Danvers, Mass., Chevrolet dealer.

GM also said previously that it struggled in the fourth quarter to boost revenue after exiting bankruptcy as sales remained depressed in many regions.

GM is under pressure to start making money after undergoing its federally financed reorganization. The U.S. invested $50 billion, most of which was converted into equity. The U.S. Treasury is GM's largest shareholder, owning a 60% stake.

The fourth-quarter figures will be based on so-called fresh-start accounting that applies to the company after exiting Chapter 11. GM must adjust its debts and assets to reflect their fair-market value. Such adjustments can alter depreciation and amortization levels, and usually have a substantial, positive impact on a company's balance sheet.

The reorganization allowed GM to shed billions of dollars in debt owed to its chief union, bondholders and other lenders. In addition, GM eliminated thousands of jobs, closed several plants, dropped hundreds of U.S. dealers and set plans to shut down or sell four of its eight brands. It emerged from bankruptcy with $17 billion in debt, down from $70 billion before it filed.

The company also is saving billions a year that used to spend paying interest on its now-reduced debt and funding retiree health care expenses, which are now covered by a union trust.

With the U.S. economy beginning to recover, GM is seeing higher sales. In the first two months of the year, it sold 287,850 cars and light trucks in the U.S., up 13% from a year ago, although Ford's sales in the same period were up 34%.

GM plans to produce 650,000 vehicles in the first quarter, up 75% from the year-ago period. That's important because auto makers report revenue when they build vehicles and ship them to dealers.

Firmer pricing is also helping GM. It estimates its vehicles on average sold for about $3,500 more in 2009's fourth quarter than in the same period in 2008.

Jerry Seiner, a dealer in Salt Lake City, said the Buick LaCrosse sedan goes for $30,000 to $40,000 these days, as much as $7,000 more than a year ago. The remodeled vehicle comes packed with features, helping drive up its price. "It was hard to get them to sell at all" before, Mr. Seiner said.

Banks hire into potent Australia

Investors following a surging bond sector

By Enda Curran

SYDNEY—Securities firms including **UBS** AG, **Nomura Holdings** Inc. and **HSBC Holdings** PLC are bulking up their fixed-income desks in Australia as a surging domestic economy pushes up interest rates, drawing global bond investors seeking higher returns.

Australia's economic strength and rock-solid triple-A rating stand in contrast to economic weakness in Europe and the U.S., encouraging strong interest from investors in a renewed flow of bonds from companies and the government.

That has international investment banks scouting for hires to expand their interest-rate trading and sales desks in Sydney, after some trimmed these operations during the global financial crisis.

Hiring spree means fresh competition in a market where trading volumes are split down the middle between Australia's local banks and foreign rivals

"We are seeing a lot of offshore interest in both Australia credit, but also the government bonds," said Grant Lovett, UBS's head of fixed income. "We are certainly using the opportunity to invest where we haven't had coverage before."

The hiring spree means fresh competition in a market where trading volumes are split down the middle between Australia's local banks and foreign rivals.

"Yes it will increase competition, and Westpac has strategies in place to remain dominant in all Australian-dollar and New Zealand markets," a spokesman for **Westpac Bank** said, adding that the bank plans to add eight rates and credit traders.

In 2009, local banks were responsible for 50.46% of fixed-income trades in Australia, compared with 49.54% done by foreign banks, according to the Australian Financial Markets Association.

Precise figures on the amount of hiring by foreign banks are hard to come by, as banks are reluctant to show their hands, but one byproduct of the rush is growing competition for the best talent, prompting banks to trawl the globe for new staff.

"The market has become very competitive again," Mr. Lovett said.

In this quarter, UBS has added sales personnel, a rates trader, credit trader and will likely hire another credit trader in coming months.

J.P. Morgan is also recruiting, adding to its derivatives and economics teams, and it plans to hire more in sales and trading.

HSBC has added three people to its fixed-income sales-and-trading desk and an additional three to its foreign-exchange team, with one additional research hire.

Credit Suisse last week named three additions to its fixed-income area, including the appointment of Russell Bennett to lead credit sales, joining from **ING Groep** in Hong Kong.

"2010 will be a year of continued expansion for Credit Suisse's fixed-income franchise in Australia," said Philip Noble, who is head of that division. "The return for fixed income as an asset class over the past 15 months has been quite positive. People will look to allocate more to fixed income or credit as the year progresses."

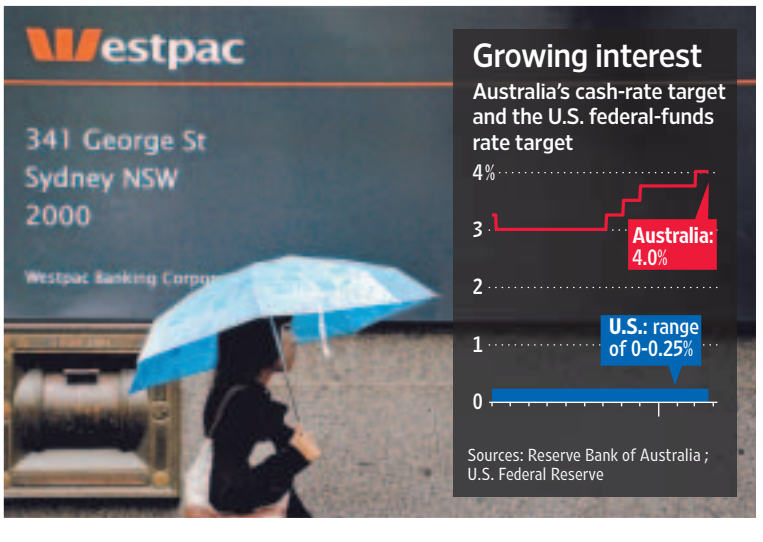
French bank **BNP Paribas** is also expanding, having added personnel to its interest-rate sales team and will add more in foreign-exchange and structured-product sales.

Nomura is also looking to grow. The Japanese bank, which took over Lehman Brothers Australia operations, recently appointed new executive directors for credit trading and government-bond trading, Max Bulloch and Andy Harris, respectively, with further senior trading hires planned.

Barclays Capital, a unit of **Barclays** PLC, recently poached a government-bond trader from **National Australia Bank**, while earlier this year, **Bank of America-Merrill Lynch** made an aggressive swipe of 11 people from rival **Royal Bank of Scotland** to boost its own operations.

Illustrating foreign demand for Australian sovereign debt, around 60% of all government securities on issue in the quarter ended December were held offshore.

John Feeney, global head of rates and credit at National Australia Bank, said the growth plans among investment banks are ultimately a positive as they deepen the fixed-income market.



Fund ends Transurban talks

By Bill Lindsay

SYDNEY—The **Future Fund**, Australia's major sovereign fund, said it terminated discussions with two Canadian pension funds over their proposal to acquire infrastructure company **Transurban Group**.

But the two funds still appear interested in the toll road owner, as discussions continued last week.

Transurban, which rejected a 6.78 billion Australian dollar (US$6.23 billion) takeover approach from the two funds in November, says that so far the funds haven't submitted a new proposal, continuing the uncertainty hanging over the possible transaction.

The funds, **Canada Pension Plan Investment Board** and **Ontario Teachers' Pension Plan**, together hold more than 25% in Transurban, which owns Melbourne's Citylink and a network of Sydney motorways.

The Future Fund said in a statement that it pulled out of talks that began in December with the Canadians about joining their bid, but the pension funds have remained quiet on the prospects of rekindling their initial A$5.25 per share approach.

Transurban said in a separate statement that while there haven't been any further proposals from the pension funds since the initial approach was rejected, "confidential discussions" with the pair took place during the week that started March 15.

Shares in Transurban fell 10 Australian cents, or 1.9%, to A$5.05 Wednesday in Sydney, but pulled back from a decline to $4.84. The shares are around 12% higher than where they traded before the bid was disclosed on Nov. 5, during which time the wider S&P/ASX 200 index has risen 8.9%.

Bloomberg News

Transurban Group's CityLink toll highway outside Melbourne, Australia.

One trader said the Future Fund's decision suggested the bid had stalled.

"Surely the Future Fund walking away shows you it's likely the Canadians are going to walk," said one senior institutional trader at a Sydney brokerage firm. "They haven't said anything for four months and there are plenty of other infrastructure assets for sale globally that offer higher growth than a toll road in Melbourne."

However, other market watchers believe the sovereign fund's decision should have no impact on the deliberations of the Canadians, who are likely being prudent before rejoining with a higher bid.

"Our view hasn't changed; we think they'll come back with a bid," said Luke Macnab, an analyst at RBS, who believes a deal to acquire the group will ultimately be struck around A$6 per share.

"The Future Fund wasn't there when the original bid was made, and they're not there again, so nothing has really changed," Mr. Macnab said.

A spokeswoman for the two Canadian pension plans said they declined to comment as they are considering their position.

—Rebecca Thurlow and David Rogers contributed to this article.

Euro falls as 'fear trade' leads investors to dollar

By Bradley Davis

NEW YORK—The euro fell to 10-month lows against the dollar as concern over sovereign debt in Greece and Portugal rattled investors.

CURRENCY MARKETS

The euro's woes rippled across asset classes, leading investors to file out of stocks and commodities into the safety of the dollar. "The dollar is once again steamrolling through the currency pack to emerge as the ultimate safe haven as investors slowly cast off every other alternative," said Andrew Wilkinson, senior market analyst at Interactive Brokers.

The Australian and Canadian dollars, seen as sensitive to swings in demand for commodities that result from changes in global economic growth, moved lower as well.

Late Wednesday morning in New York, the euro was at $1.3347 from $1.3501 late Tuesday. The dollar was at 91.92 yen from 90.41 yen. The U.K. pound was at $1.4909 from $1.5046. The dollar was at 1.0699 Swiss francs from 1.0576 francs.

Reports the International Monetary Fund could now lead a rescue for Greece put pressure on the euro. Euro-zone leaders had earlier insisted on an in-house solution, batting away IMF involvement.

Fitch Ratings added to the euro's woes, downgrading Portugal's credit rating by one notch and issuing a negative outlook for the euro-zone country.

"The Portugal downgrade is adding to the fear that there are more weak links in the euro," said Michael Mahoney, vice president of foreign exchange trading at Union Bank.

"This is a kind of fear trade," Mr. Mahoney said of investors fleeing the euro and turning to the dollar.

Concerns about Greece's pressing financing needs, along with the high fiscal deficits in other euro-zone nations, have been a key weight on the shared currency this year.

Meanwhile, investors are keeping a close watch on the Swiss franc, as the euro trades near all-time lows against the Swiss currency.

At one stage overnight, the euro sank to an all-time low at 1.4232 francs, but failed to trigger any intervention from the Swiss National Bank to limit the franc's strength.

Hints last week from new SNB board member Jean-Pierre Danthine that the country should brace for market-led exchange rates, as opposed to active intervention by the central bank to temper franc strength, have fueled the latest bout of Swiss franc strength.

Separately, the U.K. pound weakened after Chancellor Alistair Darling released the U.K. budget, cutting borrowing forecasts and also trimming U.K. growth forecasts for 2011 but the spending plans broadly held too few surprises to give the currency a meaningful jolt.

■ Heard on the Street: The euro's Greek anchor 35

Bank of India aims to raise $500 million

By Ditas Lopez

SINGAPORE—**Bank of India** is offering $500 million in 5½-year dollar bonds, ushering in what market participants believe will be a rich pipeline of issuance from the South Asian nation.

BOND MARKETS

The bond sale comes a week after Standard & Poor's Ratings Services restored its stable outlook on ratings of India's government and banks, a move that in effect removed the imminent danger of a downgrade, which may have made some investors wary of buying the bonds.

Bank of India's offering is part of a plan to raise $2 billion over the medium term. The state-owned bank will use the proceeds to fund its international operations and for general corporate purposes.

The investment-grade bank has set final yield guidance between 2.35 percentage points and 2.40 percentage points over comparable U.S. Treasurys, narrower than initial guidance of around 2.45 percentage points, people familiar with the deal said. Barclays Capital, Citigroup Inc., Deutsche Bank AG, HSBC Holdings and Royal Bank of Scotland Group are in charge of the deal.

The bank was expected to price the bond later Wednesday.

Bank of India met investors in early February to market the bond but didn't proceed with an offering then because concerns over Greece's debt problems had created instability in the markets.

Japanese bonds

Yields on Japanese government debt fell Wednesday and could drop further on expectations that state-owned financial conglomerate **Japan Post Holdings** Co. could become a bigger buyer of public debt.

The financial institution has assets totaling about 300 trillion yen ($3.32 trillion) and is a major buyer of Japanese government bonds. With its earnings increasing, expectations are rising that Japan Post will likely boost its bond holdings, analysts say.

The benchmark 10-year yield eased 0.005 percentage point to 1.34%.

—Tomoyuki Tachikawa

FUND SCORECARD

India Equity

Funds that invest primarily in the equities of Indian companies. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending March 24, 2010

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
1	**Kotak Indian Mid-Cap C**	Kotak Mahindra (International) Limited	USD	Mauritius	**3.68**	164.75	-3.14	16.20
2	**Lloyd George India**	Lloyd George Investment Managers	USD	Mauritius	**3.11**	160.84	1.65	17.20
2	**Danske Invest India K**	Sampo Rahastoyhtiö Oy	EUR	Finland	**0.26**	156.15	-1.84	NS
2	**HSBC GIF Indian Equity A Inc**	HSBC Investment Funds (Luxembourg) S.A.	USD	Luxembrg	**1.07**	150.90	0.25	20.37
3	**UTI India 1986 Shares**	UTI International Ltd	GBP	Mauritius	**4.95**	148.60	12.70	24.60
3	**Jupiter JGF India Select L USD**	Jupiter Asset Management Ltd.	USD	Luxembrg	**1.20**	137.24	8.43	19.38
3	**Kotak Indian Life Sciences B**	Kotak Mahindra (International) Limited	USD	Mauritius	**5.71**	135.80	15.54	12.34
4	**SBI Resurgent India Opps**	SBI Fund Management Co S.A.	USD	Mauritius	**4.23**	134.92	4.70	NS
2	**FF - India Focus A Euro**	Fidelity (FIL (Luxembourg) S.A.)	EUR	Luxembrg	**4.62**	131.69	-3.22	15.91
2	**Invesco India Equity A USD**	Invesco Global Asset Management Limited	USD	Luxembrg	**4.12**	129.74	-1.76	15.40

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	03/23	EUR	53.26	-2.5	47.8	-18.3
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	03/23	USD	10.92	5.3	44.3	-6.9
Am Eq Blend B	US	EQ	LUX	03/23	USD	10.24	5.0	42.8	-7.7
Am Growth A	US	EQ	LUX	03/23	USD	32.04	2.6	42.3	3.3
Am Growth AX	US	EQ	LUX	03/23	USD	34.63	2.7	43.1	3.9
Am Growth B	US	EQ	LUX	03/23	USD	26.88	2.4	40.9	2.2
Am Growth C	US	EQ	LUX	03/23	USD	28.96	2.5	41.7	2.8
Am Growth I	US	EQ	LUX	03/23	USD	35.57	2.7	43.4	4.1
Am Income A	US	BD	LUX	03/23	USD	8.59	2.9	29.5	7.3
Am Income A2	US	BD	LUX	03/23	USD	19.65	3.2	29.4	7.2
Am Income A2	OT	OT	NA	03/23	HKD	152.53	3.2	29.4	7.2
Am Income AT	OT	OT	NA	03/23	HKD	66.76	3.2	29.5	7.3
Am Income AT	US	BD	LUX	03/23	USD	8.60	3.2	29.5	7.3
Am Income B	US	BD	LUX	03/23	USD	8.59	2.8	28.5	6.4
Am Income B2	US	BD	LUX	03/23	USD	16.91	3.0	28.5	6.5
Am Income B2	OT	OT	NA	03/23	HKD	131.26	3.0	28.5	6.5
Am Income BT	OT	OT	NA	03/23	HKD	67.07	3.0	28.5	6.5
Am Income BT	US	BD	LUX	03/23	USD	8.64	3.0	28.5	6.5
Am Income C	US	BD	LUX	03/23	USD	8.59	2.8	28.9	6.7
Am Income C2	US	BD	LUX	03/23	USD	25.16	3.1	28.8	6.7
Am Income I	US	BD	LUX	03/23	USD	8.59	3.0	30.3	7.9
Am Value A	US	EQ	LUX	03/23	USD	8.97	5.2	33.7	-5.9
Am Value B	US	EQ	LUX	03/23	USD	8.24	5.0	32.5	-6.8
Am Value C	US	EQ	LUX	03/23	USD	8.97	5.2	33.3	-6.3
Am Value I	US	EQ	LUX	03/23	USD	9.67	5.3	34.9	-5.2
Emg Mkts Debt A	GL	BD	LUX	03/23	USD	16.02	4.1	44.3	10.0
Emg Mkts Debt A2	GL	BD	LUX	03/23	USD	21.01	4.5	44.3	10.1
Emg Mkts Debt AT	GL	BD	LUX	03/23	USD	16.13	4.5	44.4	10.1
Emg Mkts Debt B	GL	BD	LUX	03/23	USD	16.02	3.9	43.0	9.0
Emg Mkts Debt B2	GL	BD	LUX	03/23	USD	20.19	4.3	42.8	9.0
Emg Mkts Debt BT	GL	BD	LUX	03/23	USD	16.10	4.3	42.9	9.0
Emg Mkts Debt C	GL	BD	LUX	03/23	USD	16.02	4.0	43.7	9.6
Emg Mkts Debt C2	GL	BD	LUX	03/23	USD	20.63	4.4	43.7	9.6
Emg Mkts Debt I	GL	BD	LUX	03/23	USD	16.02	4.2	45.1	10.6
Emg Mkts Growth A	GL	EQ	LUX	03/23	USD	34.69	0.1	66.2	-6.4
Emg Mkts Growth B	GL	EQ	LUX	03/23	USD	29.34	-0.1	64.6	-7.3
Emg Mkts Growth C	GL	EQ	LUX	03/23	USD	30.04	0.0	65.4	-6.8
Emg Mkts Growth I	GL	EQ	LUX	03/23	USD	38.53	0.3	67.5	-5.6
Eur Growth A	OT	OT	LUX	03/23	USD	9.91	4.4	41.2	-7.6
Eur Growth A	OT	OT	LUX	03/23	EUR	7.34	4.4	41.2	-7.6
Eur Growth B	OT	OT	LUX	03/23	EUR	6.59	4.3	39.9	-8.4
Eur Growth B	OT	OT	LUX	03/23	USD	8.89	4.3	39.9	-8.4
Eur Growth C	EU	EQ	LUX	03/23	EUR	5.56	4.3	40.4	-7.9
Eur Growth I	OT	OT	LUX	03/23	USD	10.82	4.6	42.2	-6.8
Eur Growth I	OT	OT	LUX	03/23	EUR	8.02	4.6	42.2	-6.8
Eur Income A	OT	OT	LUX	03/23	EUR	6.83	4.5	57.0	8.8
Eur Income A	OT	OT	LUX	03/23	USD	9.22	4.5	57.0	8.8
Eur Income A2	OT	OT	LUX	03/23	EUR	13.50	4.9	57.0	8.8
Eur Income A2	OT	OT	LUX	03/23	USD	18.22	4.9	57.0	8.8
Eur Income AT	EU	BD	LUX	03/23	EUR	6.84	5.0	57.0	8.8
Eur Income B	OT	OT	LUX	03/23	EUR	6.83	4.4	56.1	8.1
Eur Income B	OT	OT	LUX	03/23	USD	9.22	4.4	56.1	8.1
Eur Income B2	OT	OT	LUX	03/23	EUR	12.54	4.8	55.8	8.1
Eur Income B2	OT	OT	LUX	03/23	USD	16.92	4.8	55.8	8.1
Eur Income BT	EU	BD	LUX	03/23	EUR	6.84	4.7	55.7	8.1
Eur Income C	OT	OT	LUX	03/23	EUR	6.83	4.4	56.4	8.4
Eur Income C	OT	OT	LUX	03/23	USD	9.22	4.4	56.4	8.4
Eur Income C2	OT	OT	LUX	03/23	EUR	13.45	4.8	56.2	8.4
Eur Income C2	OT	OT	LUX	03/23	USD	18.15	4.8	56.2	8.4
Eur Income I	OT	OT	LUX	03/23	EUR	6.83	4.6	57.8	9.4
Eur Income I	OT	OT	LUX	03/23	USD	9.22	4.6	57.8	9.4
Eur Strat Value A	OT	OT	LUX	03/23	EUR	8.76	2.7	42.2	-12.8
Eur Strat Value A	OT	OT	LUX	03/23	USD	11.82	2.7	42.2	-12.8
Eur Strat Value I	OT	OT	LUX	03/23	EUR	8.99	2.9	43.4	-12.0
Eur Strat Value I	OT	OT	LUX	03/23	USD	12.13	2.9	43.4	-12.0
Eur Value A	OT	OT	LUX	03/23	EUR	9.43	2.5	44.9	-8.8
Eur Value A	OT	OT	LUX	03/23	USD	12.73	2.5	44.9	-8.8
Eur Value B	OT	OT	LUX	03/23	USD	11.67	2.2	43.2	-9.7
Eur Value B	OT	OT	LUX	03/23	EUR	8.65	2.2	43.2	-9.7
Eur Value C	OT	OT	LUX	03/23	USD	12.29	2.5	44.1	-9.2
Eur Value C	OT	OT	LUX	03/23	EUR	9.11	2.5	44.1	-9.2
Eur Value I	OT	OT	LUX	03/23	USD	14.72	2.7	45.9	-8.0
Eur Value I	OT	OT	LUX	03/23	EUR	10.91	2.7	45.9	-8.0
Gl Balanced (Euro) A	OT	OT	LUX	03/23	USD	16.09	3.9	32.3	-5.0
Gl Balanced (Euro) B	OT	OT	LUX	03/23	USD	15.63	3.7	30.8	-6.0
Gl Balanced (Euro) C	OT	OT	LUX	03/23	USD	15.95	3.9	31.9	-5.3
Gl Balanced (Euro) I	OT	OT	LUX	03/23	USD	16.40	4.0	NS	NS
Gl Balanced A	US	BA	LUX	03/23	USD	16.78	1.8	32.4	-6.2
Gl Balanced B	US	BA	LUX	03/23	USD	15.91	1.5	31.1	-7.2
Gl Balanced C	OT	OT	LUX	03/23	USD	16.52	1.7	32.1	-6.5
Gl Balanced C	OT	OT	LUX	03/23	EUR	12.24	1.7	32.1	-6.5
Gl Balanced I	US	BA	LUX	03/23	USD	17.43	2.0	33.4	-5.5
Gl Bond A	US	BD	LUX	03/23	USD	9.42	2.6	18.0	5.3
Gl Bond A2	US	BD	LUX	03/23	USD	16.47	2.9	18.0	5.2
Gl Bond A2	OT	OT	NA	03/23	HKD	127.85	2.9	18.0	5.2
Gl Bond AT	OT	OT	LUX	03/23	HKD	73.12	2.9	17.9	5.2
Gl Bond AT	US	BD	LUX	03/23	USD	9.42	2.9	17.9	5.2
Gl Bond B	US	BD	LUX	03/23	USD	9.42	2.5	16.9	4.2
Gl Bond B2	US	BD	LUX	03/23	USD	14.39	2.6	16.8	4.1
Gl Bond B2	OT	OT	NA	03/23	HKD	111.70	2.6	16.8	4.1
Gl Bond BT	OT	OT	LUX	03/23	HKD	73.43	2.7	16.9	4.2
Gl Bond BT	US	BD	LUX	03/23	USD	9.46	2.7	16.9	4.2
Gl Bond C	US	BD	LUX	03/23	USD	9.42	2.6	17.5	4.8
Gl Bond C2	US	BD	LUX	03/23	USD	14.27	2.7	17.4	4.7
Gl Bond I	US	BD	LUX	03/23	USD	9.42	2.7	18.7	5.9
Gl Conservative A	US	BA	LUX	03/23	USD	15.06	1.8	21.2	-1.4
Gl Conservative A2	US	BA	LUX	03/23	USD	17.23	1.8	21.3	-1.4
Gl Conservative B	US	BA	LUX	03/23	USD	15.05	1.5	20.0	-2.4
Gl Conservative B2	US	BA	LUX	03/23	USD	16.33	1.5	20.0	-2.4
Gl Conservative C	US	BA	LUX	03/23	USD	15.05	1.7	20.7	-1.9
Gl Conservative C2	US	BA	LUX	03/23	USD	16.83	1.6	20.6	-1.9
Gl Conservative I	US	BA	LUX	03/23	USD	15.13	1.9	22.3	-0.6
Gl Eq Blend A	GL	EQ	LUX	03/23	USD	11.78	1.0	41.9	-14.7
Gl Eq Blend B	GL	EQ	LUX	03/23	USD	11.03	0.7	40.5	-15.6
Gl Eq Blend C	GL	EQ	LUX	03/23	USD	11.56	0.9	41.3	-15.1
Gl Eq Blend I	GL	EQ	LUX	03/23	USD	12.44	1.1	43.0	-14.1
Gl Growth A	GL	EQ	LUX	03/23	USD	42.51	1.4	39.5	-14.8
Gl Growth B	GL	EQ	LUX	03/23	USD	35.40	1.2	38.1	-15.6
Gl Growth C	GL	EQ	LUX	03/23	USD	40.75	1.3	38.8	-15.2
Gl Growth I	GL	EQ	LUX	03/23	USD	47.28	1.6	40.6	-14.1
Gl High Yield A	US	BD	LUX	03/23	USD	4.48	4.9	65.7	9.0
Gl High Yield A2	US	BD	LUX	03/23	USD	9.75	5.3	65.5	9.0
Gl High Yield A2	OT	OT	NA	03/23	HKD	75.68	5.3	65.5	9.0
Gl High Yield AT	OT	OT	NA	03/23	HKD	34.54	5.4	65.7	9.0
Gl High Yield AT	US	BD	LUX	03/23	USD	4.45	5.4	65.7	9.0
Gl High Yield B	US	BD	LUX	03/23	USD	4.48	4.7	63.7	7.7
Gl High Yield B2	US	BD	LUX	03/23	USD	15.63	5.0	63.8	7.8
Gl High Yield B2	OT	OT	NA	03/23	HKD	121.33	5.0	63.8	7.8
Gl High Yield BT	OT	OT	NA	03/23	HKD	35.09	4.9	63.5	7.8
Gl High Yield BT	US	BD	LUX	03/23	USD	4.52	4.9	63.5	7.8
Gl High Yield C	US	BD	LUX	03/23	USD	4.48	4.8	64.9	8.4
Gl High Yield C2	US	BD	LUX	03/23	USD	14.43	5.2	64.7	8.4
Gl High Yield I	US	BD	LUX	03/23	USD	4.48	5.0	66.8	9.7
Gl Thematic Res. A	OT	OT	LUX	03/23	USD	15.06	2.2	63.3	2.4
Gl Thematic Res. B	OT	OT	LUX	03/23	USD	13.14	1.9	61.6	1.4
Gl Thematic Res. I	OT	OT	LUX	03/23	USD	16.82	2.4	64.6	3.2
Gl Value A	GL	EQ	LUX	03/23	USD	11.21	0.6	44.8	-14.7
Gl Value B	GL	EQ	LUX	03/23	USD	10.27	0.3	43.2	-15.5
Gl Value C	GL	EQ	LUX	03/23	USD	10.88	0.5	44.1	-15.1
Gl Value I	GL	EQ	LUX	03/23	USD	11.94	0.8	46.0	-14.0
Greater China A	AS	EQ	LUX	03/23	USD	39.15	-2.2	47.9	-4.1
Greater China B	AS	EQ	LUX	03/23	USD	34.57	-2.4	46.4	-5.1
Greater China C	AS	EQ	LUX	03/23	USD	38.62	-2.3	47.2	-4.6
India Growth A	OT	OT	LUX	03/23	USD	131.94	4.0	NS	NS
India Growth AX	OT	OT	LUX	03/23	USD	115.41	4.0	118.7	3.3
India Growth B	OT	OT	LUX	03/23	USD	137.91	3.7	NS	NS
India Growth BX	OT	OT	LUX	03/23	USD	98.42	3.8	116.5	2.2
India Growth I	EA	EQ	LUX	03/23	USD	119.73	4.1	119.7	3.7
Int'l Health Care A	OT	EQ	LUX	03/23	USD	145.88	6.1	34.8	-0.4
Int'l Health Care B	OT	EQ	LUX	03/23	USD	122.77	5.9	33.5	-1.4
Int'l Health Care C	OT	EQ	LUX	03/23	USD	139.67	6.0	34.2	-0.8
Int'l Health Care I	OT	EQ	LUX	03/23	USD	159.67	6.3	35.9	0.4
Int'l Technology A	OT	EQ	LUX	03/23	USD	113.14	2.5	52.4	-1.2
Int'l Technology B	OT	EQ	LUX	03/23	USD	97.82	2.3	50.9	-2.1
Int'l Technology C	OT	EQ	LUX	03/23	USD	109.23	2.4	51.7	-1.6
Int'l Technology I	OT	EQ	LUX	03/23	USD	127.09	2.7	53.6	-0.4
Japan Eq Blend A	JP	EQ	LUX	03/23	JPY	6191.00	2.8	25.3	-12.2
Japan Eq Blend B	JP	EQ	LUX	03/23	JPY	5960.00	2.5	24.1	-13.1
Japan Eq Blend C	JP	EQ	LUX	03/23	JPY	6086.00	2.7	24.8	-12.6
Japan Growth A	JP	EQ	LUX	03/23	JPY	5850.00	-0.4	15.3	-14.4
Japan Growth B	JP	EQ	LUX	03/23	JPY	5633.00	-0.6	14.1	-15.3
Japan Growth C	JP	EQ	LUX	03/23	JPY	5751.00	-0.5	14.7	-14.8
Japan Strat Value A	JP	EQ	LUX	03/23	JPY	6480.00	5.9	35.4	-10.5
Japan Strat Value B	JP	EQ	LUX	03/23	JPY	6245.00	5.7	34.1	-11.4
Japan Strat Value C	JP	EQ	LUX	03/23	JPY	6364.00	5.7	34.7	-10.9
Real Estate Sec. A	OT	EQ	LUX	03/23	USD	14.77	2.9	66.1	-9.8
Real Estate Sec. B	OT	EQ	LUX	03/23	USD	13.47	2.7	64.5	-10.7
Real Estate Sec. I	OT	EQ	LUX	03/23	USD	15.90	3.1	67.4	-9.1
Short Mat Dollar A	US	BD	LUX	03/23	USD	7.34	1.6	16.5	-0.8
Short Mat Dollar A2	US	BD	LUX	03/23	USD	9.96	1.7	16.4	-0.9
Short Mat Dollar AT	US	BD	LUX	03/23	USD	7.34	1.9	16.5	-0.8
Short Mat Dollar B	US	BD	LUX	03/23	USD	7.34	1.5	16.0	-1.2
Short Mat Dollar B2	US	BD	LUX	03/23	USD	9.90	1.6	15.8	-1.3
Short Mat Dollar BT	OT	OT	LUX	03/23	USD	7.35	1.6	NS	-1.6
Short Mat Dollar C	US	BD	LUX	03/23	USD	7.34	1.5	16.0	-1.2
Short Mat Dollar C2	US	BD	LUX	03/23	USD	14.00	1.7	15.8	-1.3
Short Mat Dollar I	US	BD	LUX	03/23	USD	7.34	1.7	17.1	-0.2

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	02/26	USD	1828.22	8.1	78.9	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	03/23	USD	107.18	7.2	30.0	22.7
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	12/31	USD	97.22	15.7	15.7	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	12/31	USD	116.00	12.9	12.9	-29.1
Platinm-Emancipation	OT	OT	USA	01/29	USD	94.67	1.7	28.8	-5.0
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	12/31	USD	62.80	37.2	37.2	-26.9
Platinm-Nordic	OT	OT	CYM	01/29	SEK	627.50	1.6	14.6	-12.4
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	01/29	USD	60.80	1.2	NS	-27.0
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	03/16	USD	40.38	-1.0	-53.7	-18.7
Superfund GCT USD*	GL	EQ	LUX	03/16	USD	2161.00	-1.5	-42.4	-14.4
Superfund Green Gold A (SPC)	OT	OT	CYM	03/16	USD	973.86	1.0	-18.3	-9.1
Superfund Green Gold B (SPC)	OT	OT	CYM	03/16	USD	939.62	0.4	-32.8	-16.0
Superfund Q-AG*	OT	OT	AUT	03/16	EUR	6664.00	0.7	-23.9	-5.4
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	02/26	EUR	948.03	0.3	-6.0	NS
Winton Evolution GBP Cls G	OT	OT	CYM	02/26	GBP	955.79	0.7	-5.2	NS
Winton Evolution USD Cls F	OT	OT	CYM	02/26	USD	1203.51	0.4	-5.9	-0.4
Winton Futures EUR Cls C	OT	OT	VGB	02/26	EUR	196.04	-0.4	-5.7	1.6
Winton Futures GBP Cls D	OT	OT	VGB	02/26	GBP	212.20	-0.3	-5.3	2.4
Winton Futures JPY Cls E	OT	OT	VGB	02/26	JPY	13835.61	-0.4	-6.5	-0.6
Winton Futures USD Cls B	OT	OT	VGB	02/26	USD	696.79	-0.4	-5.7	1.3
■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	03/24	EUR	52.22	0.8	52.8	-0.6
Industria AE	EU	EQ	DEU	03/24	EUR	72.20	2.0	42.4	-7.2
InternRent AE	EU	BD	DEU	03/24	EUR	38.02	8.0	12.2	11.8
■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	03/11	USD	307009.86	11.8	161.9	15.6

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INTERNATIONAL INVESTOR

Procter & Gamble falls, BofA, GE move higher

By Kristina Peterson And Donna Kardos Yesalavich

NEW YORK—Stocks fell after disappointing guidance from **General Mills** and a drop in new-home sales.

The Dow Jones Industrial Average declined 24 points, or 0.2%, to 10865 in early afternoon trading, retreating from the 18-month closing high it reached Tuesday.

Procter & Gamble was off 1.2% after General Mlls boosted its earnings outlook, which still fell short of analysts' projections. General Mills, which isn't a Dow stock, fell 1.6%.

ABREAST OF THE MARKET

AT&T and **Verizon Communications** also fell after **Sprint Nextel** unveiled the first U.S. phone able to tap into super-high speeds. AT&T fell 1.1% and Verizon slipped 1%. Sprint, not a Dow stock, rose 5.7%.

Keeping the Dow's decline in check, **Bank of America** jumped 2.4% after Chief Executive Brian Moynihan said in Beijing that the bank plans to expand its business in China and Asia. Bank of America also said it plans to make principal forgiveness a priority for certain subprime mortgages.

General Electric gained 1.9%. Bernstein Research raised its price target on the stock to $20 from $19, pointing to an improved credit-loss outlook at its finance arm.

The Nasdaq Composite fell 0.5%. The Standard & Poor's 500-stock index dropped 0.4%, with its telecommunications and staples sectors leading the declines. The materials and financial sectors managed to post small gains.

European stocks

Stocks edged up to fresh multimonth highs, but the euro and pound tumbled in the face of more fiscal fretting in the euro-zone and the U.K.

European Union leaders are gathering for a two-day summit starting Thursday in which Greece's budget woes will take center stage. It is now looking more likely that there will be an EU/International Monetary Fund pact for Greece, which should satisfy, or at least pacify, European leaders who have struggled to agree on a solution.

The pan-European Stoxx 600 index rose 0.1% to 262.19. The U.K.'s FTSE 100 index rose 0.1% to 5677.88 and Germany's DAX was 0.4% higher at 6039.00. France's CAC-40 index fell 0.1% to 3949.81. The Greek ASE index rose 0.8% to 2062.94.

Portugal's PSI 20 index lost 1% to 7997.33. Spain's Ibex index declined 1.2% to 10867.30. Banking stocks in both countries fell.

MediaSet shares jumped 5.3%. The Italian media firm said late Tuesday that its 2009 net profit fell 41%, in line with forecasts, and that it sees advertising revenue returning to growth in 2010.

Havas rose 6.5% after it reported a 12% decline in profit, in line with expectations. The French media group was upgraded to "hold" from "sell" by analysts at Citigroup.

Nintendo rises as it prepares a 3-D console

By Colin Ng And Philip Vahn

Strong earnings boosted Hong Kong and Chinese stocks, while **Nintendo** surged in Tokyo on plans to release a new game console.

Japan's Nikkei Stock Average of 225 companies climbed 0.4% to 10815.03. Indonesia's JSX Composite Index jumped 2% to 2774.85, and the Philippines' PSE Index advanced 1.2% to 3166.60. Markets in India were closed for Ram Navami.

ASIAN-PACIFIC STOCKS

Nintendo surged 8.7% a day after it announced plans to release a new hand-held game console with three-dimensional capabilities. Japanese exporters with strong exposure to Europe fell as the euro stretched its losing run against the Japanese yen. **Mazda Motor** Corp. fell 1.7%.

BOC Hong Kong rose 2.6% on stronger-than-expected 2009 earnings. The Hong Kong arm of Bank of China said 2009 net profit quadrupled from a year earlier, as a shift toward lower-risk securities investments resulted in a significant write-back of impairment charges. **Bank of China** gained 1.7% in Shanghai after reporting better-than-expected 2009 earnings, but its Hong Kong shares fell 0.5%.

Mining stocks posted gains. **Rio Tinto** rose 2% in Sydney, **Korea Zinc** added 2.1% in Seoul and **Jiangxi Copper** advanced 1% in Hong Kong.

Treasury prices slump after weak debt sale

By Deborah Lynn Blumberg

NEW YORK—Treasury prices tumbled Wednesday after the second so-so bond auction of the week, as market participants fretted over the continuation of what are likely to be huge amounts of Treasurys for sale by the U.S. government.

The Treasury sold $42 billion in five-year Treasury notes, with a yield of 2.605%, compared with 2.569% just before the auction. The bid-to-cover ratio was 2.55, versus 2.75 in February and 2.8 in January. The average of the past four auctions is 2.74.

U.S. CREDIT MARKETS

The indirect bid, a proxy for demand from foreign buyers, was 40%, compared with 40.3% in February and 53% in January. The direct bid, which includes nonprimary dealers and banks, was 11%, versus 12.8% in February and 7.4% in January.

In afternoon trading, the two-year note was off by 5/32, for a yield of 1.099%, the 10-year Treasury was down by 1 3/32 to yield 3.822% and the 30-year was off by 1 23/32 to yield 4.714%.

Investors had been on edge after a weaker-than-expected $44 billion two-year note auction Tuesday, the government's first of three note sales this week. The government will also sell $32 billion in seven-year notes on Thursday.

Treasurys also were under pressure ahead of a robust offering of corporate debt Wednesday.

Corporate debt issuance has been heavy of late amid strong demand, as investors who are more convinced that interest rates will remain low for a while have been seeking out better returns in corporate debt.

Market participants also focused on spreads in the interest-rates swaps market, in which investors exchange fixed-interest payments for floating-rate payments. They tightened further Wednesday and the 10-year swaps spread pushed even deeper into negative territory.

Risk premiums in the 10-year sector turned negative for the first time on record Tuesday, which on the surface implies that investors see more risk in holding triple-A-rated 10-year Treasury notes than in swapping rate payments with private counterparties.

Wednesday, that spread, which is the rate premium of swap rates over Treasury yields, pushed even deeper into negative territory; in late-morning trade, the 10-year swap spread was at negative 0.055 percentage point, compared with negative 0.025 percentage point Tuesday. The two-year swap spread was at 0.1225 percentage point, from 0.1725 percentage point.

Risk premiums in the swaps market have been tightening since February. The inverted risk premium reflects the continuing hefty level of debt issuance by the government and investors' desire for different types of higher-yielding debt as they search for better returns.

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GAM

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Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	03/12	USD	1301.17	4.7	31.5	-5.5
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	03/22	JPY	14639.66	-5.8	63.2	6.8
GAM Asia Equity Hedge US	OT	OT	VGB	03/22	USD	273.64	-5.7	71.2	8.3
GAM Asia Equity USD	OT	OT	VGB	03/23	USD	641.21	-1.9	64.6	-2.6
GAM Asia-Pacific Eq USD	OT	OT	VGB	03/23	USD	1359.38	6.0	47.6	-5.7
GAM Com Glb Bal EUR Op	US	BA	VGB	03/15	EUR	98.23	1.7	32.3	-5.2
GAM Com Glb Bal USD Op	US	BA	VGB	03/15	USD	129.94	1.7	32.3	-5.2
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	03/15	EUR	102.01	1.8	55.0	-9.4
GAM Comp Glb Eq USD Op	GL	EQ	VGB	03/15	USD	129.80	1.8	55.0	-9.4
GAM Comp Glb Gr EUR Op	US	BA	VGB	03/15	EUR	89.29	1.1	38.4	-8.2
GAM Comp Glb Gr USD Op	US	BA	VGB	03/15	USD	128.45	1.1	38.4	-8.2
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	03/19	USD	259.62	4.4	60.6	-1.7
GAM Cross Trading Inc	OT	OT	VGB	03/15	USD	461.27	-1.0	3.3	NS
GAM Diversity CHF Op	OT	OT	VGB	03/15	CHF	94.61	0.3	3.7	-5.6
GAM Diversity EUR Op	OT	OT	VGB	03/15	EUR	651.39	0.4	4.9	-4.1
GAM Diversity USD 2.5XL	OT	OT	VGB	03/15	USD	78.83	0.7	8.2	-16.4
GAM Diversity USD Op	OT	OT	VGB	03/15	USD	684.14	0.5	4.5	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	03/15	CHF	99.80	0.3	3.0	-5.1
GAM Dvrsty II EUR Op	OT	OT	VGB	03/15	EUR	139.31	0.4	3.3	-4.1
GAM Dvrsty II USD Op	OT	OT	VGB	03/15	USD	211.02	0.4	3.6	-4.4
GAM DvrstyIII EUR Op	OT	OT	VGB	03/15	EUR	115.98	0.4	3.3	-4.2
GAM DvrstyIII USD Op	OT	OT	VGB	03/15	USD	122.48	0.4	3.6	-4.4
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	03/22	EUR	225.48	3.0	17.0	0.5
GAM Euro Eq Hdg USD Op	OT	OT	VGB	03/22	USD	209.21	2.9	18.3	2.1
GAM European Equity USD	OT	OT	VGB	03/22	USD	285.33	-2.7	42.5	-8.1
GAM GAMCO	OT	EQ	VGB	03/16	USD	858.29	5.9	94.2	-3.1
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	03/22	EUR	99.36	1.5	15.0	-13.1
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	03/22	USD	104.83	1.6	15.7	-12.2
GAM Gbl Divers USD Inc.	GL	EQ	VGB	03/22	USD	261.08	4.5	50.4	0.4
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	03/22	USD	274.44	-4.3	105.1	29.7
GAM Intrst Trend II	GL	BD	VGB	03/15	USD	110.27	17.1	100.0	1.4
GAM Intrst Trend Inc	OT	OT	VGB	03/22	USD	297.81	18.4	117.6	5.2
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	03/22	EUR	129.36	10.8	29.5	7.8
GAM Japan Eq Hdg USD Op	OT	OT	VGB	03/22	USD	132.41	8.5	27.5	-5.8
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	03/22	JPY	9113.20	8.4	28.6	-5.2
GAM Japan USD	JP	EQ	VGB	03/23	USD	1204.08	9.2	32.0	-7.4
GAM Japan YEN	JP	EQ	VGB	03/23	JPY	9520.47	7.9	27.7	-10.2
GAM Money Mkt EuroOp	EU	MM	VGB	03/22	EUR	51.17	0.7	0.8	1.6
GAM Money Mkt USD	US	MM	VGB	03/22	USD	100.04	0.2	0.0	0.5
GAM Multi-Arb EUR Op	OT	OT	VGB	03/15	EUR	112.78	1.4	1.2	-6.8
GAM Multi-Arb USD Op	OT	OT	VGB	03/15	USD	117.67	1.4	1.4	-7.0
GAM Multi-China EUR Op	OT	OT	VGB	03/15	EUR	163.10	-2.9	9.1	-4.1
GAM Multi-China USD Op	OT	OT	VGB	03/15	USD	171.92	-2.6	9.6	-4.7
GAM Multi-Emer Mkts GBP	OT	OT	VGB	03/15	GBP	131.70	0.1	26.0	-0.4
GAM Multi-Emer Mkts USD	OT	OT	VGB	03/15	USD	651.82	0.1	26.1	-0.8
GAM Multi-Eur EUR Op	OT	OT	VGB	03/15	EUR	268.16	-0.3	5.7	-4.8
GAM Multi-Eur II EUR Op	OT	OT	VGB	03/15	EUR	137.98	-0.3	5.2	-4.8
GAM Multi-Eur II USD Op	OT	OT	VGB	03/15	USD	112.78	-0.3	5.2	-5.8
GAM Multi-Eur USD Op	OT	OT	VGB	03/15	USD	466.92	-0.2	5.3	-5.7
GAM Multi-Nth Am EUR Special	OT	OT	VGB	03/15	EUR	134.07	0.1	9.5	-1.1
GAM Multi-Nth Am USD Special	OT	OT	VGB	03/15	USD	218.11	0.0	9.7	-1.2
GAM Multi-Pac EUR Op	GL	EQ	VGB	03/15	EUR	141.27	-1.5	2.5	-2.3
GAM Multi-Pac USD Op	OT	OT	VGB	03/15	USD	163.22	-1.3	2.9	-2.6
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	03/12	USD	2776.82	5.3	82.1	13.2
GAM Sing/Malaysia	AS	EQ	VGB	03/23	USD	2538.82	0.5	73.2	1.3
GAM Sterling Spe Bd Inc	OT	OT	VGB	03/15	GBP	242.98	5.6	60.2	8.4
GAM Trading EUR Inc	OT	OT	VGB	03/15	EUR	321.78	-1.0	2.9	2.4
GAM Trading USD Inc	OT	OT	VGB	03/15	USD	963.56	-1.0	3.4	1.7
GAM Trdg II IncEUR Op	OT	OT	VGB	03/15	EUR	137.69	-1.0	2.8	2.3
GAM Trdg II IncUSD Op	OT	OT	VGB	03/15	USD	312.87	-1.0	3.4	1.7
GAM Trdg IV IncEUR Op	OT	OT	VGB	03/15	EUR	145.21	-1.1	2.7	2.1
GAM Trdg IV IncUSD Op	OT	OT	VGB	03/15	USD	152.96	-1.0	3.1	1.5
GAM Trdg V IncEUR Op	OT	OT	VGB	03/15	EUR	123.10	-1.1	2.5	2.0
GAM Trdg V IncUSD Op	OT	OT	VGB	03/15	USD	128.33	-1.0	3.1	1.5
GAM TrdgIII IncEUR Op	OT	OT	VGB	03/15	EUR	155.25	-1.1	2.7	2.0
GAM TrdgIII IncUSD Op	OT	OT	VGB	03/15	USD	160.89	-1.0	3.2	1.5
GAM USDSpecBondInc	US	BD	VGB	03/15	USD	578.87	9.2	121.0	13.0
GAM Worldwide	GL	EQ	VGB	03/22	USD	2205.69	-0.9	46.8	-5.6
GAMut Investments	OT	OT	VGB	03/17	USD	7707.81	1.7	3.6	6.5

■ GAM Star Fund Plc

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	03/23	CHF	11.01	-0.2	50.5	-0.8
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	03/23	EUR	12.36	3.8	64.4	4.6
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	03/23	GBP	1.65	5.2	57.8	12.5
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	03/23	USD	13.11	-2.3	63.2	-1.9
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	03/22	EUR	111.48	10.2	43.2	0.3
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	03/22	EUR	107.89	10.2	43.3	0.3
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	03/22	EUR	11.37	3.4	44.3	0.0
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	03/22	EUR	188.73	3.1	44.9	-2.3
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	03/22	EUR	172.45	3.1	44.9	-2.3
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	03/22	USD	15.60	-2.5	44.7	-7.9
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	03/22	USD	14.15	-2.5	44.6	-7.9
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	03/22	USD	6.00	9.3	52.2	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	03/22	EUR	98.96	12.5	35.8	0.3
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	03/22	EUR	98.96	12.5	35.8	0.3
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	03/22	JPY	991.62	7.7	31.7	-10.0
GAMStar-JpnEq USD Acc	JP	EQ	IRL	03/22	USD	12.13	9.1	35.0	-7.5
GAMStar-World EqUSD Acc	GL	EQ	IRL	03/22	USD	2221.47	-0.7	47.7	-5.1

LIST YOUR FUNDS

In print & online. Contact:
carson.wong@dowjones.com

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Manulife WEALTH MANAGEMENT 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
American Growth	US	EQ	LUX	03/24	USD	15.92	3.4	51.0	-5.8
American Growth AA	US	EQ	LUX	03/24	USD	0.92	3.4	50.6	-4.6
Asian Equity	AS	EQ	LUX	03/24	USD	2.42	-1.2	64.3	-1.1
Asian Equity AA	AS	EQ	LUX	03/24	USD	0.78	-1.3	63.7	-1.4
Asian Sm Cap Equity AA	AS	EQ	LUX	03/24	USD	1.22	4.6	111.3	6.9
China Value A	AS	EQ	LUX	03/24	USD	6.90	-3.2	58.8	5.4
China Value AA	AS	EQ	LUX	03/24	USD	2.17	-3.2	58.4	5.1
Dragon Growth	AS	EQ	LUX	03/24	USD	1.60	-2.7	59.8	1.5
Dragon Growth AA	OT	OT	LUX	03/24	HKD	7.79	-2.6	59.7	1.0
Emg Eastrn Europe A	EU	EQ	LUX	03/24	USD	4.73	2.7	102.3	-10.9
Emg Eastrn Europe AA	EU	EQ	LUX	03/24	USD	2.04	2.6	102.0	-11.0
European Growth	EU	EQ	LUX	03/24	USD	8.86	-2.4	53.0	-13.3
European Growth AA	EU	EQ	LUX	03/24	USD	0.63	-2.4	52.6	-13.5
Global Contrarain AA	GL	EQ	LUX	03/24	USD	0.93	4.9	96.8	NS
Global Property AA	OT	EQ	LUX	03/24	USD	0.69	2.7	86.7	-6.6
Global Resources AA	OT	EQ	LUX	03/24	USD	1.08	-0.8	43.8	-10.6
Healthcare AA	OT	EQ	LUX	03/24	USD	1.02	7.8	42.3	NS
India Equity AA	EA	EQ	LUX	03/24	USD	1.10	0.3	89.9	-0.7
International Growth	GL	EQ	LUX	03/24	USD	3.09	1.1	39.5	-9.7
International Growth AA	GL	EQ	LUX	03/24	USD	0.72	1.1	39.2	-9.9
Japanese Growth	JP	EQ	LUX	03/24	USD	2.86	4.6	30.4	-7.3
Japanese Growth AA	JP	EQ	LUX	03/24	USD	0.75	5.2	31.0	-7.2
Latin America Equity AA	GL	EQ	LUX	03/24	USD	1.29	-0.8	99.8	-1.6
Manulife GF Strategic Income Fund AA	OT	OT	NA	03/24	USD	1.04	3.7	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	03/24	USD	1.16	1.2	NS	NS
Russia Equity AA	EE	EQ	LUX	03/24	USD	0.69	7.6	111.8	-14.7
Taiwan Equity AA	AS	EQ	LUX	03/24	USD	1.02	-5.2	65.5	-2.4
Turkey Equity AA	EE	EQ	LUX	03/24	USD	0.78	0.9	147.2	5.3
U.S. Bond AA	US	BD	LUX	03/24	USD	1.14	3.2	20.6	8.4
U.S. Sm Cap Equity AA	US	EQ	LUX	03/24	USD	0.94	14.2	93.1	1.1
U.S. Special Opportunities	OT	OT	LUX	03/24	USD	0.90	10.8	109.2	12.8
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	03/24	USD	1.14	0.8	6.4	0.8

■ PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	03/17	USD	140.57	10.4	157.3	4.4

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	03/22	USD	8.16	1.7	94.3	2.9

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT (HK) LTD
Hotline in Hong Kong 2166 5099
A company of Amundi Group
www.sgam.com

Bonds Eur Hi Yld A	OT	OT	LUX	03/22	EUR	21.80	5.9	64.3	7.2
Bonds EURO A	OT	OT	LUX	03/22	EUR	41.76	1.8	5.4	4.9
Bonds EUROPE A	OT	OT	LUX	03/22	EUR	39.80	1.8	4.6	4.4
Bonds US OppsCoreplus A	OT	OT	LUX	03/22	USD	37.61	1.9	17.4	8.0
Bonds World A	OT	OT	LUX	03/22	USD	41.68	-0.8	8.5	1.4
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	03/23	USD	10.30	-1.1	68.6	-1.1
Eq. China A	AS	EQ	LUX	03/23	USD	22.61	-6.3	50.9	2.5
Eq. Concentrated Euroland A	OT	OT	LUX	03/22	EUR	91.84	-1.2	32.6	-9.1
Eq. ConcentratedEuropeA	EU	EQ	LUX	03/22	EUR	27.10	0.3	47.1	-8.4
Eq. Emerging Europe A	OT	OT	LUX	03/22	EUR	25.88	9.9	93.7	-13.5
Eq. Euroland A	EU	EQ	LUX	03/22	EUR	10.76	-0.6	40.2	-10.1
Eq. Euroland Small Cap A	OT	OT	LUX	03/22	EUR	147.50	4.5	57.7	-2.3
Eq. EurolandCyclclsA	EU	EQ	LUX	03/23	EUR	18.52	4.1	43.3	-4.4
Eq. EurolandFinancialA	OT	EQ	LUX	03/22	EUR	10.82	-4.4	62.4	-14.7
Eq. Glbl Emg Cty A	GL	EQ	LUX	03/22	USD	9.15	-5.5	59.1	-9.4
Eq. Global A	GL	EQ	LUX	03/22	USD	28.47	2.2	54.7	-7.1
Eq. Global Energy A	OT	OT	LUX	03/22	USD	17.63	-2.8	33.3	-11.7
Eq. Global Resources A	OT	OT	LUX	03/22	USD	108.48	-0.7	48.0	-8.5
Eq. Gold Mines A	OT	EQ	LUX	03/22	USD	29.91	-1.3	27.4	-1.4
Eq. India A	OT	OT	LUX	03/23	USD	131.54	0.6	90.0	-0.4
Eq. Japan CoreAlpha A	OT	OT	LUX	03/23	JPY	7803.39	7.6	28.7	-1.1
Eq. Latin America A	OT	OT	LUX	03/22	USD	112.93	-2.9	83.0	-7.0
Eq. US Lg Cap Gr A	US	EQ	LUX	03/22	USD	15.79	3.5	51.5	-5.1
Eq. US Rel Val A	US	EQ	LUX	03/22	USD	21.52	4.5	61.3	-9.2
Eq. US Sm Cap Val A	US	EQ	LUX	03/22	USD	17.31	8.5	67.1	-10.4
Money Market EURO A	EU	MM	LUX	03/22	EUR	27.42	0.1	0.6	2.2
Money Market USD A	US	MM	LUX	03/22	USD	15.83	0.0	0.3	1.2

المستثمر الوطني The National Investor

■ THE NATIONAL INVESTOR
TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	03/18	USD	928.37	-3.4	7.4	-30.9
TNI MENA Special Sits Fund	OT	OT	BMU	02/28	USD	1109.04	2.8	16.0	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	03/18	AED	5.28	-1.0	24.3	-33.1

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Investing through discipline

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487
**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	03/15	USD	29.49	-1.2	94.1	7.9
Intel-China Converg*	AS	EQ	CYM	03/15	USD	112.04	-1.7	93.9	5.5
VP Classic - A	AS	EQ	CYM	03/23	USD	189.78	1.8	86.5	10.1
VP CLassic - B	AS	EQ	CYM	03/23	USD	88.35	1.6	85.6	9.5
VP High Dividend Stk	AS	EQ	CYM	03/22	USD	47.56	4.7	91.6	13.0

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Yuki Management & Research
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■ YUKI INTERNATIONAL LIMITED
Tel +44-207-269 0203 www.yukifunds.com

■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	03/24	JPY	9558.00	1.1	23.3	-12.9
YMR-N Small Cap Fund	OT	OT	IRL	03/24	JPY	6878.00	-1.9	23.5	-13.3

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	03/24	JPY	6146.00	-0.1	12.1	-16.6
Yuki 77 Growth	JP	EQ	IRL	03/24	JPY	5607.00	-0.6	6.3	-21.2

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	03/24	JPY	6982.00	2.3	20.1	-12.3
Yuki Chugoku JpnLowP	JP	EQ	IRL	03/24	JPY	8166.00	8.3	15.4	-10.0

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	03/24	JPY	4770.00	2.1	17.0	-16.8
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	03/24	JPY	5475.00	4.3	18.9	-11.0
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	03/24	JPY	4974.00	-2.6	21.0	-13.9

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	03/24	JPY	4426.00	0.1	16.0	-20.8
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	03/24	JPY	4680.00	0.3	16.3	-20.5
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	03/24	JPY	6952.00	-0.3	22.2	-15.4
Yuki Mizuho Jpn Gen	OT	OT	IRL	03/24	JPY	8814.00	2.3	19.4	-12.2
Yuki Mizuho Jpn Gro	OT	OT	IRL	03/24	JPY	6310.00	-0.8	13.7	-15.7
Yuki Mizuho Jpn Inc	OT	OT	IRL	03/24	JPY	7888.00	3.3	10.9	-14.4
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	03/24	JPY	5309.00	2.3	17.9	-13.8
Yuki Mizuho Jpn LowP	OT	OT	IRL	03/24	JPY	12099.00	4.7	22.1	-8.6
Yuki Mizuho Jpn PGth	OT	OT	IRL	03/24	JPY	7769.00	-2.4	12.4	-18.1
Yuki Mizuho Jpn SmCp	OT	OT	IRL	03/24	JPY	6911.00	-3.2	27.5	-14.2
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	03/24	JPY	5823.00	3.1	20.4	-10.6
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	03/24	JPY	2819.00	3.4	30.3	-17.1

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	03/24	JPY	5565.00	2.7	18.4	-13.5

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Sweden	-0.61%	8.1%	60.7%
Switzerland	-0.44	5.1	44.1
Japan	0.59	4.9	18.5
U.K.	-0.08	4.3	46.3
Netherlands	-0.49	4.0	57.4
South Africa	-0.66	2.1	21.4
Turkey	1.55	2.0	109.0
Australia	0.36	1.7	33.6
Canada	-0.58	1.4	32.5
Germany	-0.06	0.3	35.5
Singapore	-0.66	-0.5%	73.4
France	-0.68	-0.7	36.6
South Korea	-0.07	-1.6	38.5
Russia	-0.50	-1.7	54.5
Italy	-0.56	-2.1	42.2
Hong Kong	0.10	-2.7	44.7
Brazil	-1.23	-5.8	84.1
Spain	-1.39	-6.5	26.9
China 88	-0.02	-10.0	30.0

Dow Jones Regional Sector Titans

Travel Leisure	-0.73%	9.3%	47.9%
Ind Gds Svcs	-0.57	9.0	66.6
Pers H'hold Gds	-0.77	6.3	42.7
Arab 50	0.12	6.3	29.1
Retail	-0.76	5.0	39.3
Media	-0.39	3.3	53.1
Asian 50	-0.53	3.2	42.2
Auto Parts	-0.77	2.6	60.8
Global 50	-0.51	-0.5%	34.6
Tiger 50*	0.03	-3.7	56.8

*Asia excluding Japan

Source: Dow Jones Indexes

Dow Jones Asia Titans: Wednesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Nintendo	Japan	Toys	$42.3	30,400	8.69%	-0.7%	-10.1%
Seven I Hldgs	Japan	Broadline Retailers	21.4	2,174	2.69	-1.2	-38.4
RioZim Ltd	Australia	General Mining	42.7	77.20	1.95	81.4	24.9
Canon	Japan	Electronic Office Equipment	55.9	4,160	1.71	45.2	-35.1
Taiwan Smcndtr Mfg	Taiwan	Semiconductors	49.3	60.60	1.68	16.7	-9.9
Sony	Japan	Consumer Electronics	$38.5	3,545	-2.74%	70.8	-41.7
Hon Hai Precision Ind	Taiwan	Electrical Components Equipment	36.6	136.50	-1.09	98.0	-0.2
Mizuho Financial Grp	Japan	Banks	29.2	191.00	-1.04	-18.0	-74.6
Westfield Grp	Australia	Retail REITs	25.2	11.99	-0.91	13.3	-40.9
KB Fncl Group	South Korea	Banks	17.6	52,000	-0.76	51.9	-36.6

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Toyota Motor Japan (Automobiles)	127.4	3,715	1.50%	16.1%	-51.3%
Samsung Elec South Korea (Semiconductors)	106.0	819,000	1.24	47.3	43.2
Westpac Bking Australia (Banks)	73.6	27.76	1.02	41.5	7.2
Cheung Kong Hong Kong (Real Estate Holding Development)	29.5	98.90	1.02	41.1	2.1
Commonwlth Bk of Aus Australia (Banks)	80.0	57.21	0.90	61.7	14.7
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	38.3	115.80	0.78	67.0	29.0
Nippon T&T Japan (Fixed Line Telecommunications)	55.5	3,855	0.78	-0.6	-36.2
BHP Billiton Australia (General Mining)	132.5	43.36	0.70	30.4	47.0
Panasonic Japan (Consumer Electronics)	31.0	1,375	0.66	19.7	-43.1
CNOOC Hong Kong (Exploration Production)	71.7	12.46	0.65	56.1	88.2
China Constr Bk Hong Kong (Banks)	179.5	6.20	0.49	40.3	40.6
Woodside Petroleum Australia (Exploration Production)	33.6	47.42	0.47	15.7	20.9
Takeda Pharm Japan (Pharmaceuticals)	36.5	4,245	0.47	12.6	-45.9
Mitsui Japan (Industrial Suppliers)	30.2	1,532	0.46	43.0	-29.9
Japan Tobacco Japan (Tobacco)	35.4	338,500	0.45	31.8	-40.6
Tokio Marine Hldgs Japan (Property Casualty Insurance)	22.0	2,565	0.39	-1.0	-39.7
Woolworths Australia (Food Retailers Wholesalers)	32.2	28.70	0.35	15.9	5.8
Indl Comm Bk China Hong Kong (Banks)	61.4	5.74	0.35	60.3	32.9
East Japan Railway Japan (Travel Tourism)	26.8	6,230	0.32	13.5	-32.9
Nippon Steel Japan (Iron Steel)	23.9	349.00	0.29	22.9	-59.2

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Mitsubishi Japan (Industrial Suppliers)	41.8	2,336	0.26%	67.7%	-15.4%
Nissan Motor Japan (Automobiles)	34.1	769.00	0.26	102.4	-39.6
Shinhan Financial Grp South Korea (Banks)	18.0	43,150	0.23	59.8	-18.8
QBE Ins Grp Australia (Reinsurance)	19.8	21.22	0.19	11.2	-32.7
POSCO South Korea (Iron Steel)	35.4	532,000	0.19	39.3	40.7
KDDI Japan (Mobile Telecommunications)	22.8	473,500	0.11	-0.9	-49.1
Hutchison Whampoa Hong Kong (Diversified Industrials)	31.8	57.95	0.09	40.7	-22.4
National Australia Bk Australia (Banks)	52.9	27.37	0.04	34.4	-31.8
JFE Hldgs Japan (Iron Steel)	20.7	3,595	...	51.7	-49.9
PetroChina Hong Kong (Integrated Oil Gas)	24.3	8.95	-0.11	38.3	-0.6
China Mobile (HK) Hong Kong (Mobile Telecommunications)	192.4	75.10	-0.13	12.0	7.6
Shin-Etsu Chml Japan (Specialty Chemicals)	24.0	5,190	-0.19	5.3	-26.7
Aus NZ Bk Australia (Banks)	58.5	25.37	-0.31	56.6	-13.5
Honda Motor Japan (Automobiles)	64.4	3,235	-0.31	38.5	-21.1
Kansai Elec Power Japan (Conventional Electricity)	20.8	2,119	-0.38	-6.5	-39.5
Mitsubishi UFJ Finl Japan (Banks)	71.3	471.00	-0.42	-11.5	-64.6
China Life Ins Hong Kong (Life Insurance)	34.3	35.80	-0.42	41.2	61.6
NTT DoCoMo Japan (Mobile Telecommunications)	63.8	140,300	-0.57	-2.1	-34.1
Tokyo Elec Power Japan (Conventional Electricity)	36.0	2,448	-0.61	-6.6	-40.2
Sumitomo Mitsui Finl Japan (Banks)	43.6	2,944	-0.71	-24.1	-72.2

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-0.08%	1.95%	0.9%	0.3%	5.6%
Event Driven	0.43	2.43	2.5	2.0	15.3
Equity Long/Short	0.10	2.44	4.2	3.0	8.4

*Estimates as of 03/18/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 13/1	0.80	100.99%	0.01%	0.85	0.80	0.81
Eur. High Volatility: 13/1	1.20	99.04	0.01	1.28	1.19	1.23
Europe Crossover: 13/1	4.46	102.28	0.05	4.68	4.43	4.55
Asia ex-Japan IG: 13/1	1.02	99.91	0.01	1.05	0.97	1.02
Japan: 13/1	1.22	98.92	0.01	1.22	1.18	1.20

Note: Data as of March 23

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Philippine Long Distance Tel	128	-10	10	-21
Kajima	247	-8	-45	-127
Expt Import Bk Korea	92	-6	4	-21
Shin Han Bk	105	-5	1	-18
Indl Bk Korea	94	-5	4	-20
Lg Electrs	82	-5	3	-29
Rep Philippines	163	-5	6	-30
Swire Pac	68	-4	3	-8
Hutchison Whampoa	65	-4	3	-13
Rep Indonesia	164	-4	5	-33

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Yamaha Mtr	76	4	...	-14
Norinchukin Bk	71	4	3	-14
Tokyo Elec Pwr	45	4	6	-9
Sompo Japan Ins	85	4	...	-30
Mazda Mtr	177	4	1	-34
Hitachi	82	4	1	-20
Nomura Secs	129	5	2	-28
Marui Group	179	5	-29	-78
Daiwa Secs Gp	112	6	-5	-30
Orix	259	10	-20	-46

Source: Markit Group

Behind Asia's deals: Bank revenue rankings, Global (ex US)

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
Goldman Sachs	$352	5.2%	50%	16%	30%	4%
Deutsche Bank	334	4.9	26	50	18	6
Credit Suisse	309	4.5	34	47	18	...
UBS	306	4.5	33	31	35	...
Bank of America Merrill Lynch	292	4.3	49	29	16	5
JPMorgan	267	3.9	31	46	22	1
Nomura	259	3.8	69	17	12	1
Citi	250	3.7	40	37	20	3
Morgan Stanley	242	3.5	32	18	49	...

Source: Dealogic

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GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	**361.50**	-1.25	**-0.34%**	714.00	325.00
Soybeans (cents/bu.)	CBOT	**955.50**	-12.50	**-1.29**	1,087.50	819.75
Wheat (cents/bu.)	CBOT	**475.00**	-1.75	**-0.37**	745.00	472.00
Live cattle (cents/lb.)	CME	**92.150**	-0.225	**-0.24**	96.300	83.075
Cocoa ($/ton)	ICE-US	**2,824**	-71	**-2.45**	3,514	2,066
Coffee (cents/lb.)	ICE-US	**133.90**	-0.85	**-0.63**	190.40	118.30
Sugar (cents/lb.)	ICE-US	**17.07**	0.50	**3.02%**	29.00	11.90
Cotton (cents/lb.)	ICE-US	**81.23**	-1.66	**-2.00**	94.00	51.38
Crude palm oil (ringgit/ton)	MDEX	**2,577.00**	-33	**-1.26**	3,600	1,486
Cocoa (pounds/ton)	LIFFE	**2,185**	-33	**-1.49**	2,356	1,475
Robusta coffee ($/ton)	LIFFE	**1,286**	-1	**-0.08**	1,605	1,212
Copper (cents/lb.)	COMEX	**334.00**	-3.90	**-1.15**	355.00	140.00
Gold ($/troy oz.)	COMEX	**1091.50**	-12.00	**-4.20**	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	**1672.00**	-30.70	**-1.83**	1,949.50	916.00
Aluminum ($/ton)	LME	**2,225.00**	-32.00	**-1.42**	2,356.50	1,376.00
Tin ($/ton)	LME	**17,350.00**	-250.00	**-1.42**	18,250.00	10,035.00
Copper ($/ton)	LME	**7,341.00**	-94.00	**-1.26**	7,695.00	3,925.00
Lead ($/ton)	LME	**2,033.00**	-132.00	**-6.10**	2,615.00	1,247.00
Zinc ($/ton)	LME	**2,215.00**	-54.50	**-2.40**	2,659.00	1,265.50
Nickel ($/ton)	LME	**22,200**	-185	**-0.83**	22,950	9,475
Crude oil ($/bbl.)	NYMEX	**80.50**	-1.41	**-1.72**	132.95	52.95
Heating oil ($/gal.)	NYMEX	**2.0875**	-0.0268	**-1.27**	3.4240	1.3933
RBOB gasoline ($/gal.)	NYMEX	**2.2245**	-0.0380	**-1.68**	3.1200	1.4650
Natural gas ($/mmBtu)	NYMEX	**4.160**	-0.029	**-0.69**	10.430	4.093
Brent crude ($/bbl.)	ICE-EU	**79.63**	-1.07	**-1.33**	109.11	57.30
Gas oil ($/ton)	ICE-EU	**660.00**	-8.75	**-1.31**	696.00	552.00

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on March 24

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.1599	0.1938	3.8658	0.2587
Brazil real	2.3875	0.4189	1.7887	0.5591
Canada dollar	1.3704	0.7297	1.0267	0.9740
1-mo. forward	1.3704	0.7297	1.0267	0.9740
3-mos. forward	1.3705	0.7297	1.0268	0.9739
6-mos. forward	1.3711	0.7293	1.0273	0.9735
Chile peso	712.42	0.001404	533.75	0.001874
Colombia peso	2565.79	0.0003897	1922.30	0.0005202
Ecuador US dollar-f	1.3348	0.7492	1	1
Mexico peso-a	16.7348	0.0598	12.5378	0.0798
Peru sol	3.7860	0.2641	2.8365	0.3525
Uruguay peso-e	26.228	0.0381	19.650	0.0509
U.S. dollar	1.3348	0.7492	1	1
Venezuela bolivar	5.73	0.174451	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.4682	0.6811	1.1000	0.9091
China yuan	9.1119	0.1097	6.8267	0.1465
Hong Kong dollar	10.3585	0.0965	7.7607	0.1289
India rupee	60.6310	0.0165	45.4250	0.0220
Indonesia rupiah	12183	0.0000821	9128	0.0001096
Japan yen	122.65	0.008153	91.89	0.010883
1-mo. forward	122.62	0.008155	91.87	0.010885
3-mos. forward	122.58	0.008158	91.83	0.010889
6-mos. forward	122.47	0.008165	91.76	0.010898
Malaysia ringgit-c	4.4280	0.2258	3.3175	0.3014
New Zealand dollar	1.9005	0.5262	1.4239	0.7023
Pakistan rupee	111.986	0.0089	83.900	0.0119
Philippines peso	60.958	0.0164	45.670	0.0219
Singapore dollar	1.8760	0.5331	1.4055	0.7115
South Korea won	1518.95	0.0006584	1138.00	0.0008787
Taiwan dollar	42.478	0.02354	31.825	0.03142
Thailand baht	43.199	0.02315	32.365	0.03090

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7492	1.3348
1-mo. forward	1.0000	1.0000	0.7492	1.3348
3-mos. forward	1.0000	1.0000	0.7492	1.3348
6-mos. forward	1.0000	1.0000	0.7492	1.3347
Czech Rep. koruna-b	25.372	0.0394	19.009	0.0526
Denmark krone	7.4403	0.1344	5.5743	0.1794
Hungary forint	263.84	0.003790	197.67	0.005059
Norway krone	8.0435	0.1243	6.0262	0.1659
Poland zloty	3.8897	0.2571	2.9142	0.3431
Russia ruble-d	39.589	0.02526	29.660	0.03372
Sweden krona	9.6968	0.1031	7.2649	0.1376
Switzerland franc	1.4268	0.7009	1.0690	0.9355
1-mo. forward	1.4263	0.7011	1.0686	0.9358
3-mos. forward	1.4255	0.7015	1.0680	0.9363
6-mos. forward	1.4242	0.7021	1.0670	0.9372
Turkey lira	2.0635	0.4846	1.5460	0.6468
U.K. pound	0.8952	1.1171	0.6707	1.4911
1-mo. forward	0.8953	1.1169	0.6708	1.4908
3-mos. forward	0.8957	1.1165	0.6710	1.4902
6-mos. forward	0.8961	1.1160	0.6713	1.4896
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5032	1.9871	0.3770	2.6523
Egypt pound-a	7.3465	0.1361	5.5040	0.1817
Israel shekel	5.0093	0.1996	3.7530	0.2665
Jordan dinar	0.9453	1.0578	0.7083	1.4119
Kuwait dinar	0.3867	2.5857	0.2898	3.4513
Lebanon pound	2002.79	0.0004993	1500.50	0.0006665
Saudi Arabia riyal	5.0055	0.1998	3.7502	0.2667
South Africa rand	9.8342	0.1017	7.3678	0.1357
United Arab dirham	4.9025	0.2040	3.6730	0.2723
SDR -f	0.8806	1.1356	0.6597	1.5158

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
28	**ASIA-PACIFIC**	**DJ Asia-Pacific**	126.66	-0.69	**-0.54%**	2.9%	44.9%
...	Australia	**SPX/ASX 200**	4891.54	16.79	**0.34%**	0.4	35.5
...	China	**CBN 600**	27324.84	33.85	**0.12**	-5.9	38.9
16	Hong Kong	**Hang Seng**	21008.62	20.84	**0.10**	-3.9	54.2
20	India	**Sensex**	17451.02		**Closed**	-0.1	80.5
...	Indonesia	**Jakarta Composite**	2774.850	53.988	**1.98**	9.5	95.4
...	Japan	**Nikkei Stock Average**	10815.03	40.88	**0.38**	2.5	27.5
...		**Topix**	951.97	4.60	**0.49**	4.9	16.3
...	Malaysia	**Kuala Lumpur Composite**	1309.45	4.60	**0.35**	2.9	49.0
...	New Zealand	**NZSX-50**	3232.724	4.355	**0.13**	0.1	22.9
8	Pakistan	**KSE 100**	10146.27	182.92	**1.84**	8.1	52.0
14	Philippines	**Manila Composite**	3166.60	37.36	**1.19**	3.7	63.3
...	Singapore	**Straits Times**	2886.36	-19.30	**-0.66**	-0.4	70.6
11	South Korea	**Kospi**	1681.01	-0.81	**-0.05**	-0.1	36.8
20	Taiwan	**Weighted**	7822.71	10.84	**0.14**	-4.5	46.3
10	Thailand	**SET**	786.54	4.06	**0.52**	7.1	80.0
23	**EUROPE**	**Stoxx Europe 600**	262.12	0.27	**0.10**	3.5	46.7
14		**Stoxx Europe 50**	2614.11	2.91	**0.11**	1.4	42.4
27	**Euro Zone**	**Euro Stoxx**	274.89	-0.17	**-0.06%**	...	39.5%
14		**Euro Stoxx 50**	2904.25	-6.27	**-0.22**	-2.1%	35.3
20	Denmark	**OMX Copenhagen**	361.47	2.64	**0.74%**	14.5	71.5
21	Finland	**OMX Helsinki**	7284.32	14.16	**0.19**	12.8	51.7
16	France	**CAC-40**	3949.81	-2.74	**-0.07**	0.3	36.5
15	Germany	**DAX**	6039.00	21.73	**0.36**	1.4	43.0
13	Italy	**FTSE MIB**	22798.70	32.81	**0.14**	-1.9	40.2
...	Netherlands	**AEX**	341.74	0.23	**0.07**	1.9	51.5
...	Russia	**RTSI**	1514.58	-10.38	**-0.68**	6.1	104.4
10	Spain	**IBEX 35**	10866.3	-129.9	**-1.18**	-9.0	34.6
16	Switzerland	**SMI**	6879.95	2.79	**0.04**	5.1	38.4
...	Turkey	**ISE National 100**	55136.60	784.90	**1.44**	4.4	115.9
14	U.K.	**FTSE 100**	5677.88	4.25	**0.07**	4.9	45.6
18	**AMERICAS**	**DJ Americas**	311.38	-1.25	**-0.40**	5.0	51.6
...	Brazil	**Bovespa**	69400.12	13.40	**0.02**	1.2	67.8
...	Argentina	**Merval**	2439.33		**Closed**	5.1	116.5
19	Mexico	**IPC**	33345.14	-16.13	**-0.05**	3.8	64.8

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.19%	19	**Global TSM**	2373.06	-16.97	**-0.71%**	2.4%	49.3%	-6.7%
1.92	19	**Global DOW**	2001.31	-14.33	**-0.71**	0.8	44.5	-3.5
2.43	15	**Global Titans 50**	172.72	-0.88	**-0.51**	-0.5	34.6	-8.8
2.18	25	**Asia/Pacific TSM**	1252.18	-6.61	**-0.52**	2.9	49.6	-4.9
2.42	15	**Asia/Pacific ex-Japan TSM**	3096.77	0.79	**0.03**	0.7	74.7	1.3
2.78	14	**Europe TSM**	2574.49	-39.66	**-1.52**	-3.8	45.6	-11.3
1.86	14	**Emerging Markets TSM**	4121.13	-1.84	**-0.04**	1.6	79.5	2.0
2.45	33	**Asian Titans 50**	138.51	-0.74	**-0.53**	3.2	42.2	-6.7
6.37	6	**BRIC 50**	588.41	0.31	**0.05**	-1.6	73.1	6.5
0.86	27	**CBN China 600** -c	27324.84	33.85	**0.12**	-5.9	38.9	8.0
2.35	18	**China Offshore 50**	3915.73	9.39	**0.24**	-4.0	46.6	7.1
0.89	30	**Shanghai** -c	369.50	0.57	**0.15**	-4.7	40.3	8.1
0.56%	46	**Shenzhen -c**	406.30	0.96	**0.24%**	-2.5%	55.1%	13.6%
1.84	22	**U.S. TSM**	12060.71	-40.44	**-0.33**	5.9	47.2	-6.0
4.83	14	**Global Select Div -d**	198.10	-1.48	**-0.74**	-1.9	72.3	-10.3
5.34	14	**Asia/Pacific Select Div -d**	273.24	-1.15	**-0.42**	1.7	86.3	-9.9
3.70	14	**Hong Kong Select Div -d**	197.19	2.20	**1.13**	5.2	58.9	1.7
4.23	15	**U.S. Select Dividend -d**	332.18	-1.64	**-0.49**	5.2	44.4	-13.2
1.80	15	**Islamic Market**	2012.38	-13.40	**-0.66**	1.9	43.6	-2.0
2.00	15	**Islamic Market 100**	2131.55	-14.22	**-0.66**	0.5	33.0	-2.4
2.60	17	**Islamic China/HK Titans 30**	1493.97	-4.33	**-0.29**	0.5	46.6	2.7
1.55	12	**Sustainability Korea**	1213.18	-1.31	**-0.11**	0.6	65.7	0.5
3.40	17	**Brookfield Infrastructure**	2035.91	-13.93	**-0.68**	0.5	41.9	-4.7
		DJ-UBS Commodity -p	131.79	-0.28	**-0.21**	-5.3	16.2	-7.9

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.100	0.671	1.027	6.827	0.749	7.761	45.425	9127.42	91.890	1.424	1137.99	3.318	45.670	1.406	1.069	31.825	32.365
Australia	0.909		0.610	0.933	6.206	0.681	7.055	41.296	8297.74	83.537	1.294	1034.55	3.016	41.519	1.278	0.972	28.932	29.423
Britain	1.491	1.640		1.531	10.179	1.117	11.572	67.731	13609.44	137.013	2.123	1696.80	4.947	68.096	2.096	1.594	47.453	48.258
Canada	0.974	1.071	0.653		6.649	0.730	7.559	44.244	8890.05	89.500	1.387	1108.40	3.231	44.482	1.369	1.041	30.997	31.523
China	0.1465	0.161	0.098	0.150		0.110	1.137	6.654	1337.03	13.460	0.209	166.70	0.486	6.690	0.206	0.157	4.662	4.741
Euro	1.335	1.468	0.895	1.370	9.112		10.359	60.631	12182.82	122.650	1.901	1518.94	4.428	60.958	1.876	1.427	42.478	43.199
Hong Kong	0.129	0.142	0.086	0.132	0.880	0.097		5.853	1176.12	11.841	0.183	146.64	0.427	5.885	0.181	0.138	4.101	4.170
India	0.0220	0.0242	0.0148	0.0226	0.1503	0.0165	0.1708		200.93	2.0229	0.0313	25.05	0.0730	1.0054	0.0309	0.0235	0.7006	0.7125
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0009	0.0050		0.0101	0.0002	0.12	0.0004	0.0050	0.0002	0.0001	0.0035	0.0035
Japan	0.011	0.012	0.007	0.011	0.074	0.008	0.084	0.494	99.33		0.015	12.38	0.036	0.497	0.015	0.012	0.346	0.352
New Zealand	0.702	0.773	0.471	0.721	4.794	0.526	5.450	31.902	6410.19	64.534		799.21	2.330	32.074	0.987	0.751	22.351	22.730
South Korea	0.0009	0.0010	0.0006	0.0009	0.0060	0.0007	0.0068	0.0399	8.02	0.0807	0.0013		0.0029	0.0401	0.0012	0.0009	0.0280	0.0284
Malaysia	0.301	0.332	0.202	0.309	2.058	0.226	2.339	13.693	2751.29	27.699	0.429	343.03		13.766	0.424	0.322	9.593	9.756
Philippines	0.022	0.024	0.015	0.022	0.149	0.016	0.170	0.995	199.86	2.012	0.031	24.92	0.073		0.031	0.023	0.697	0.709
Singapore	0.711	0.783	0.477	0.730	4.857	0.533	5.522	32.319	6494.07	65.379	1.013	809.67	2.360	32.494		0.761	22.643	23.027
Switzerland	0.935	1.029	0.627	0.960	6.386	0.701	7.260	42.495	8538.68	85.963	1.332	1064.59	3.104	42.724	1.315		29.772	30.277
Taiwan	0.031	0.035	0.021	0.032	0.215	0.024	0.244	1.427	286.80	2.887	0.045	35.76	0.104	1.435	0.044	0.034		1.017
Thailand	0.031	0.034	0.021	0.032	0.211	0.023	0.240	1.404	282.02	2.839	0.044	35.16	0.103	1.411	0.043	0.033	0.983	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of March. 24, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	23	**ALL COUNTRY (AC) WORLD***	306.84	-0.59%	**2.5%**	63.9%
2.50	24	**World (Developed Markets)**	1,200.86	-0.62	**2.8**	59.9
1.80	83	**World Small Cap**	205.00	-0.81	**7.8**	85.0
2.50	21	**Kokusai (World ex-Japan)**	1,185.82	-0.73	**2.3**	62.9
3.00	23	**EAFE**	1,578.99	-0.49	**-0.1**	58.3
2.20	20	**Emerging Markets (EM)**	994.12	-0.42	**0.5**	99.1
2.50	23	**AC ASIA PACIFIC EX-JAPAN**	418.25	-0.59	**0.4**	95.2
2.20	22	**AC Far East ex-Japan**	445.69	-0.25	**-1.0**	85.3
1.70	145	**Japan**	592.83	-0.15	**4.3**	27.0
2.00	19	**China**	62.49	-0.19	**-3.6**	72.5
0.90	37	**China A (China Domestic)**	3,139.91	-0.80	**-7.2**	54.0
2.60	23	**Hong Kong**	10,360.51	0.39	**1.8**	65.2
0.90	20	**India**	712.62	0.53	**0.8**	109.6
1.30	16	**Korea**	476.32	0.77	**-0.9**	63.4
2.30	20	**Malaysia**	477.50	1.00	**1.6**	44.1
3.10	17	**Singapore**	1,608.96	0.85	**-1.0**	79.6
2.70	234	**Taiwan**	278.55	-0.28	**-5.9**	61.4
3.30	18	**Thailand**	325.18	1.39	**7.8**	84.8
3.60	25	**Australia**	1,008.83	1.05	**0.8**	46.2
5.00	16	**New Zealand**	84.16	-0.56	**-3.5**	15.2
1.90	28	**US BROAD MARKET**	1,313.06	-0.77	**6.1**	63.5
3.40	16	**EUROPE**	90.88	0.65	**2.9**	50.4

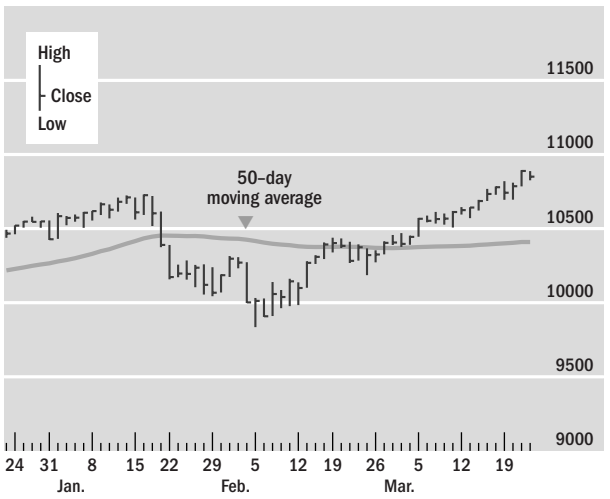
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

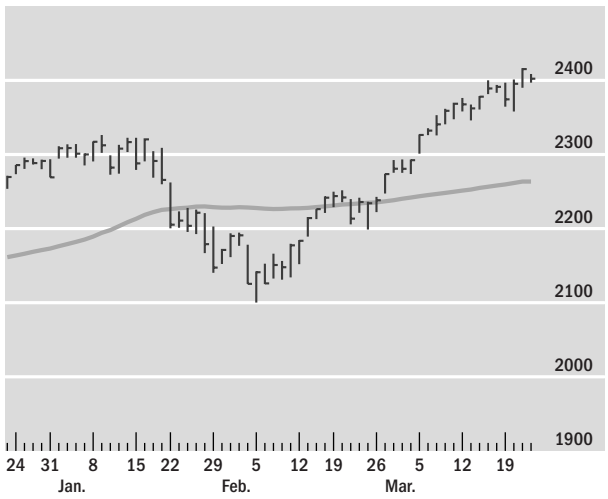
Dow Jones Industrial Average P/E: 17

LAST: **10850.43** ▼ 38.40, or 0.35%
YEAR TO DATE: ▲ **422.38, or 4.1%**
OVER 52 WEEKS ▲ **3,100.62, or 40.0%**



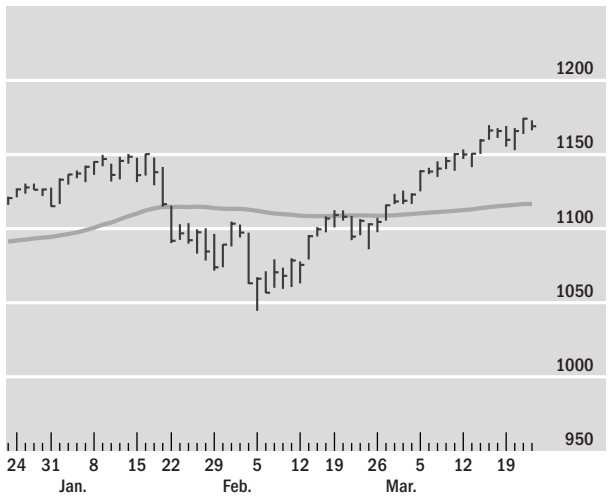
Nasdaq Composite Index P/E: 17*

LAST: **2402.27** ▼ 12.97, or 0.54%
YEAR TO DATE: ▲ **133.12, or 5.9%**
OVER 52 WEEKS ▲ **873.32, or 57.1%**



S&P 500 Index P/E: 23

LAST: **1169.05** ▼ 5.12, or 0.44%
YEAR TO DATE: ▲ **53.95, or 4.8%**
OVER 52 WEEKS ▲ **355.17, or 43.6%**



*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**10.00**	$26.28	-0.27	**-1.02%**
Alcoa	AA	**16.10**	14.48	-0.02	**-0.14**
AmExpress	AXP	**3.90**	41.06	-0.18	**-0.44**
BankAm	BAC	**151.30**	17.57	0.44	**2.58**
Boeing	BA	**3.00**	72.81	0.63	**0.87**
Caterpillar	CAT	**6.40**	62.34	-0.07	**-0.11**
Chevron	CVX	**4.20**	74.09	-0.68	**-0.91**
CiscoSys	CSCO	**19.10**	26.53	-0.11	**-0.41**
CocaCola	KO	**4.10**	54.77	-0.53	**-0.96**
Disney	DIS	**7.10**	34.38	0.37	**1.09**
DuPont	DD	**7.70**	38.74	0.43	**1.12**
ExxonMobil	XOM	**9.90**	66.55	-0.40	**-0.60**
GenElec	GE	**76.60**	18.63	0.30	**1.61**
HewlettPk	HPQ	**7.30**	53.16	0.01	**0.02**
HomeDpt	HD	**6.40**	32.43	-0.16	**-0.49**
Intel	INTC	**30.40**	22.53	-0.14	**-0.63**
IBM	IBM	**4.20**	128.94	-0.43	**-0.33**
JPMorgChas	JPM	**16.80**	44.64	0.06	**0.13**
JohnsJohns	JNJ	**4.80**	64.95	-0.41	**-0.63**
KftFoods	KFT	**9.30**	30.72	-0.06	**-0.19**
McDonalds	MCD	**3.60**	66.84	-0.51	**-0.76**
Merck	MRK	**6.00**	38.23	-0.27	**-0.69**
Microsoft	MSFT	**17.90**	29.75	-0.13	**-0.44**
Pfizer	PFE	**30.20**	17.61	0.07	**0.40**
ProctGamb	PG	**4.30**	63.85	-0.68	**-1.05**
3M	MMM	**1.50**	81.81	-0.54	**-0.66**
TravelersCos	TRV	**1.50**	54.22	0.32	**0.59**
UnitedTech	UTX	**2.20**	73.42	0.33	**0.45**
Verizon	VZ	**6.90**	30.53	-0.45	**-1.45**
WalMart	WMT	**3.90**	55.55	-0.34	**-0.61**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**319.3**	$4.17	$0.04	**0.85%**
BankAm	BAC	**153.2**	17.59	0.46	**2.69**
SPDR S&P 500	SPY	**101.7**	117.07	–0.34	**–0.29**
SiriusXM	SIRI	**101.5**	0.88	0.01	**1.15**
SprintNextel	S	**101.0**	4.07	0.24	**6.26**
YRC Worldwide	YRCW	**91.8**	0.53	0.07	**15.00**
GenElec	GE	**76.8**	18.64	0.31	**1.66**
FordMotor	F	**62.2**	13.94	0.04	**0.31**
CellThrp	CTIC	**41.0**	0.72	0.09	**13.51**
PwrShrs QQQ	QQQQ	**38.6**	48.06	–0.19	**–0.40**
SPDR FnclSelSct	XLF	**38.6**	15.94	0.04	**0.22**
LasVegasSands	LVS	**38.4**	22.16	0.71	**3.31**
DrxFinancBear 3x	FAZ	**32.5**	13.50	–0.17	**–1.24**
iShrMSCIEmrgMkt	EEM	**31.5**	41.26	–0.37	**–0.89**
Intel	INTC	**30.4**	22.54	–0.13	**–0.58**

Biggest gainers...

SunlinkHlth	SSY	**914.6**	$4.10	$1.13	**38.05%**
MaxLinear	MXL	**5,715.8**	19.06	5.06	**36.14**
Calix	CALX	**4,271.0**	16.30	3.30	**25.38**
PMI Gp	PMI	**19,612.3**	4.49	0.85	**23.35**
CelsiusHldg	CELH	**112.7**	3.64	0.62	**20.53**

...Biggest losers

ExeterRes	XRA	**1,073.5**	$7.08	-$1.84	**-20.63%**
Medcath	MDTH	**1,377.6**	11.11	-1.36	**-10.91**
Delias	DLIA	**278.8**	1.80	-0.21	**-10.45**
ESCO Tech	ESE	**723.9**	30.99	-3.51	**-10.17**
CentrueFnl	TRUE	**6.7**	3.10	-0.35	**-10.11**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$8.31	**Taiwan Semi**	TSM	**10,469.1**	$10.37	0.10	**0.93%**
15.95	9.58	**China Unicom**	CHU	**2,215.5**	11.62	-0.55	**-4.52**
82.74	42.33	**BHP Billiton**	BHP	**1,833.3**	78.90	-1.38	**-1.72**
4.24	2.16	**Utd Microelectronics**	UMC	**1,235.6**	3.64	-0.04	**-1.09**
59.22	41.94	**China Mobile**	CHL	**747.7**	48.20	-0.73	**-1.50**
13.30	7.91	**AU Optrncs**	AUO	**710.5**	11.28	-0.32	**-2.76**
5.23	2.33	**Adv Semi Engrg**	ASX	**672.6**	4.45	-0.03	**-0.67**
91.97	62.73	**Toyota Motor**	TM	**652.1**	81.68	-0.67	**-0.81**
16.40	2.00	**City Telecom**	CTEL	**633.1**	16.26	0.52	**3.32**
62.37	25.25	**Infosys Tech**	INFY	**618.6**	61.82	-0.50	**-0.80**
40.45	20.49	**Sony**	SNE	**502.6**	38.91	-1.53	**-3.78**
18.20	8.88	**Korea Elec Pwr**	KEP	**397.1**	16.05	-0.46	**-2.79**
6.84	4.79	**Mitsu UFJ Fnl**	MTU	**373.1**	5.15	-0.10	**-1.90**
8.19	5.34	**Siliconware Prec Ind**	SPIL	**325.1**	6.08	-0.02	**-0.33**
81.00	47.60	**China Life Ins**	LFC	**274.3**	69.09	-0.85	**-1.22**
18.64	14.70	**SK Telecom**	SKM	**270.3**	16.91	-0.08	**-0.47**
135.92	78.11	**PetroChina**	PTR	**217.4**	114.93	-1.55	**-1.33**
37.23	23.15	**Honda Motor**	HMC	**215.0**	35.51	-0.75	**-2.07**
150.50	64.01	**POSCO**	PKX	**211.1**	117.25	-0.87	**-0.74**
9.82	6.24	**Telecom Corp of NZ**	NZT	**194.4**	7.56	-0.05	**-0.70**
34.27	14.19	**Aluminum Cp of China**	ACH	**186.6**	25.98	-0.48	**-1.81**
9.50	5.01	**Nomura Hldgs**	NMR	**177.5**	7.30	-0.09	**-1.22**
17.19	10.77	**Matsushita Elec**	PC	**145.3**	15.12	-0.14	**-0.92**
21.78	12.96	**KT Corp**	KT	**138.4**	20.59	-0.10	**-0.48**
20.49	16.87	**ChunghwaTel**	CHT	**120.4**	19.07	-0.20	**-1.06**
171.59	97.77	**CNOOC**	CEO	**100.7**	160.78	-0.34	**-0.21**
94.00	55.21	**China Petro & Chem**	SNP	**97.5**	80.56	-0.78	**-0.96**
46.22	28.27	**Canon**	CAJ	**96.0**	45.66	-0.17	**-0.37**
25.65	6.85	**Yanzhou Coal Mining**	YZC	**93.5**	21.74	-0.19	**-0.87**
34.43	21.60	**Huaneng Power Intl**	HNP	**91.2**	23.30	-0.46	**-1.93**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

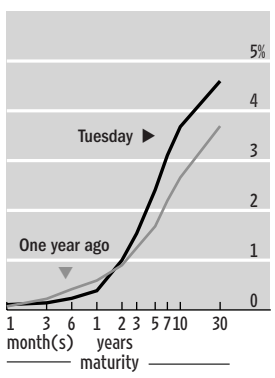
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.940%**	**388.1**	394.3	374.3	**213.3**	**4.900%**	4.665%	**3.055%**
4.500	10	**5.702**	**193.8**	200.9	185.1	**187.8**	**5.672**	5.630	**4.584**
5.000	**Austria** 2	**1.204**	**14.5**	31.7	53.6	**29.0**	**1.274**	1.458	**1.212**
3.900	10	**3.480**	**-28.4**	-20.8	-6.6	**143.3**	**3.455**	3.713	**4.139**
2.000	**Belgium** 2	**1.054**	**-0.5**	13.0	33.6	**108.1**	**1.087**	1.258	**2.003**
3.750	10	**3.579**	**-18.5**	-8.6	4.1	**131.5**	**3.577**	3.820	**4.021**
1.500	**Canada** 2	**1.652**	**59.3**	63.7	32.2	**27.1**	**1.594**	1.244	**1.193**
3.750	10	**3.509**	**-25.5**	-23.3	-28.0	**18.8**	**3.430**	3.499	**2.894**
4.000	**Denmark** 2	**1.580**	**52.1**	67.0	89.9	**120.8**	**1.627**	1.821	**2.130**
4.000	10	**3.371**	**-39.3**	-29.8	-20.1	**82.8**	**3.365**	3.578	**3.534**
3.750	**France** 2	**0.921**	**-13.8**	-6.9	18.4	**54.2**	**0.888**	1.106	**1.464**
3.500	10	**3.407**	**-35.7**	-29.1	-20.7	**97.4**	**3.372**	3.572	**3.680**
1.250	**Germany** 2	**0.843**	**-21.6**	-9.1	8.6	**46.9**	**0.866**	1.008	**1.391**
3.250	10	**3.071**	**-69.3**	-60.9	-49.6	**42.6**	**3.054**	3.283	**3.132**
0.640	**Hong Kong** 2	**0.814**	**-24.5**	-13.7	-20.3	**-8.3**	**0.820**	0.719	**0.839**
2.160	10	**2.874**	**-89.0**	-80.1	-73.7	**-67.2**	**2.862**	3.042	**2.034**
5.000	**Italy** 2	**1.305**	**24.6**	40.7	60.1	**111.1**	**1.364**	1.523	**2.033**
4.250	10	**3.912**	**14.8**	24.3	31.1	**173.5**	**3.906**	4.090	**4.441**
0.200	**Japan** 2	**0.146**	**-91.3**	-80.7	-75.3	**-52.2**	**0.150**	0.169	**0.400**
1.400	10	**1.344**	**-242.0**	-231.3	-243.9	**-144.3**	**1.350**	1.340	**1.263**
2.500	**Netherlands** 2	**0.875**	**-18.4**	-4.0	14.8	**66.3**	**0.917**	1.070	**1.585**
3.500	10	**3.342**	**-42.2**	-34.1	-21.9	**111.6**	**3.322**	3.560	**3.822**
5.000	**Portugal** 2	**1.985**	**92.6**	97.6	56.0	**133.4**	**1.933**	1.482	**2.256**
4.800	10	**4.316**	**55.2**	66.8	65.3	**192.7**	**4.331**	4.432	**4.633**
5.350	**Spain** 2	**1.150**	**9.1**	17.4	48.6	**108.3**	**1.131**	1.408	**2.005**
4.000	10	**3.825**	**6.1**	16.3	27.4	**144.1**	**3.826**	4.053	**4.147**
2.750	**Switzerland** 2	**0.479**	**-58.0**	-49.1	-45.6	**-43.8**	**0.466**	0.466	**0.484**
2.250	10	**1.919**	**-184.5**	-173.8	-179.0	**-52.2**	**1.925**	1.989	**2.184**
3.250	**U.K.** 2	**1.015**	**-4.4**	3.3	22.6	**34.5**	**0.990**	1.148	**1.267**
3.750	10	**3.963**	**19.9**	25.1	49.5	**61.6**	**3.914**	4.274	**3.322**
1.000	**U.S.** 2	**1.059**	**...**	...	...	**...**	**0.957**	0.922	**0.922**
3.625	10	**3.764**	**...**	...	...	**...**	**3.663**	3.779	**2.706**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.597%**	16.07	–0.76%	1.61%	1.61%	–10.09%
10-year Treasury	**3.680**	8.22	–0.47	2.18	2.18	–4.78
7 Year Treasury	**3.106**	6.20	–0.24	2.74	2.74	–0.62
Five-year Treasury	**2.412**	4.63	–0.44	1.93	1.93	0.64
Ryan Index	**2.722**	6.67	–0.43	1.74	1.74	–1.69
3 Year Treasury	**1.537**	2.91	–0.39	1.17	1.17	2.41
Two-year Treasury	**1.000**	1.98	–0.29	0.70	0.70	1.89
1 Year Treasury	**0.386**	0.96	–0.03	0.22	0.22	1.16
Six-month Treasury	**0.233**	0.50	...	0.05	0.05	0.52
Ryan Cash Index-a	**0.217**	0.45	...	0.08	0.08	0.52
Three-month bill	**0.142**	0.25	0.01	0.03	0.03	0.30
One-month bill	**0.106**	0.08	0.01	0.01	0.01	0.11

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	2.50
Japan	**1.475**	1.475
Britain	**0.50**	0.50
ECB	**1.00**	1.50
Switzerland	**0.52**	0.53
Australia	**4.00**	3.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.24619%**	0.52000%
Three month	**0.28491**	1.22750
Six month	**0.43531**	1.77500
One year	**0.89375**	2.02875

	Latest	52 wks ago
Euro Libor		
One month	**0.36688%**	1.15750%
Three month	**0.58188**	1.54750
Six month	**0.89750**	1.71125
One year	**1.19375**	1.86125
Hibor		
One month	**0.08929**	0.29714%
Three month	**0.13893**	0.87786
Six month	**0.24000**	1.17786
One year	**0.55929**	1.58000
Asian dollars		
One month	**0.2496%**	0.53%
Three month	**0.2808**	1.2175
Six month	**0.4190**	1.7675
One year	**0.8830**	2.0350

	Offer	Bid
Eurodollars		
One month	**0.3100%**	0.2100%
Three month	**0.3700**	0.2300
Six month	**0.5500**	0.3500
One year	**0.9500**	0.6500

	Latest	52 wks ago
U.S. discount	**0.75%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.23%**	0.18%
U.K. (BBA)	**0.503**	0.577
Euro zone	**0.29**	0.94

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Wednesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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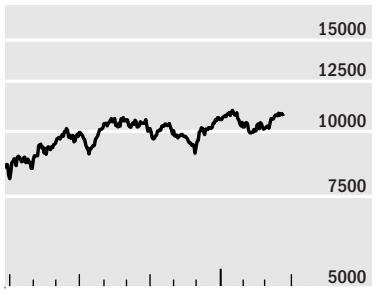
Asian index movers...

Nikkei Stock Average

Japan 10815.03

▲ **0.38% or 40.88**

The index posted modest gains as broader sentiment was encouraged by overseas market strength, but gains were limited by the yen's rise on the euro.



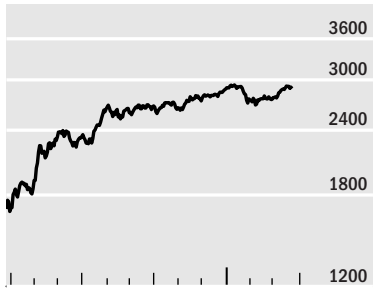
Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**140.69**	191	–2	–1.04
Toshiba	**91.88**	480	14	3.00
Clarion	**52.01**	202	–2	–0.98
Mtshbsh Fin Grp	**45.38**	471	–2	–0.42
Hitachi	**26.83**	325	unch	...

Straits-Times

Singapore 2886.36

▼ **0.66% or 19.30**

Banks and property developers saw profit-taking after Tuesday's gains. DBS, OCBC and property developer CapitaLand were among the losers.



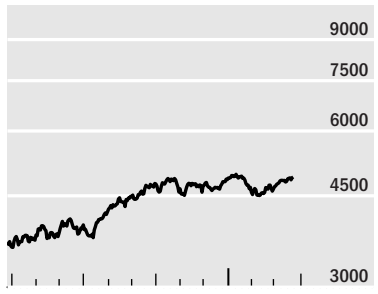
Stock	Volume in millions	Close	Change Net	Change %
Noble Grp	**149.32**	3.19	–0.12	–3.63
Genting Spore	**80.35**	0.91	–0.03	–2.67
Golden Agri	**73.04**	0.56	–0.01	–0.88
CapitaLand	**12.50**	4.00	–0.04	–0.99
Sing Telecom	**12.15**	3.18	–0.04	–1.24

ASX 200

Australia 4891.54

▲ **0.34% or 16.79**

Materials and financial stocks carried the index higher, after Wall Street rose on the back of stronger-than-expected economic data. BHP, Rio Tinto and Westpac gained.



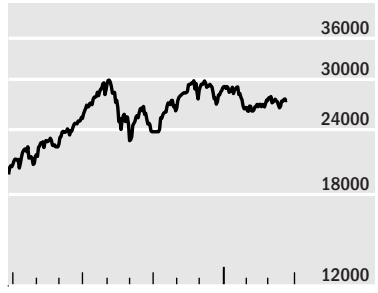
Stock	Volume in millions	Close	Change Net	Change %
Telstra	**72.65**	3.08	–0.04	–1.28
GPT Group	**60.14**	0.57	–0.01	–0.88
Transurban	**51.72**	5.05	–0.10	–1.94
Boart Longyear	**46.25**	0.31	–0.01	–3.17
Fairfax Media	**40.26**	1.84	0.05	2.51

CBN 600

China 27324.84

▲ **0.12% or 33.85**

Shares edged higher, with banks leading the way after Bank of China reported better-than-expected 2009 earnings on Tuesday. Bank of China shares gained 1.7%.



Stock	Volume in millions	Close	Change Net	Change %
HunanJinCerealsInd	**194.92**	9.90	0.90	10.00
BaoshanIron&Steel	**143.66**	7.83	–0.18	–2.25
JiangsuChElecTech	**127.35**	10.97	–0.12	–1.08
Bank Of China	**125.53**	4.22	0.07	1.69
InsigmaTech	**109.11**	8.86	0.03	0.34

Asian stocks in the news

BOC Hong Kong (Hldgs)

Hong Kong HK$18.80

▲ **2.6% or HK$0.48**

The lender rose after it said Tuesday that its 2009 net profit quadrupled from a year earlier.

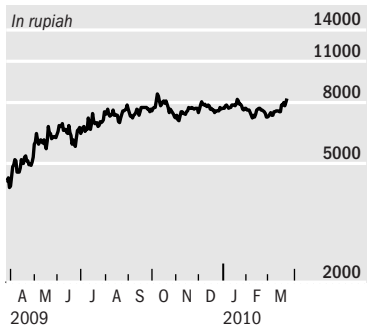
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**67**			
Earnings per share, past four quarters	**0.28**			
Dividend yield	**4.5**			
Banks		**-0.4%**	-0.4%	47.4%
BOC Hong Kong (Hldgs)		**2.6%**	3.5%	132.7%

Bank Rakyat Indonesia

Indonesia 8,250 rupiah

▲ **3.1% or 250 rupiah**

The bank's shares gained amid continued buying in the sector, which helped push up the market.



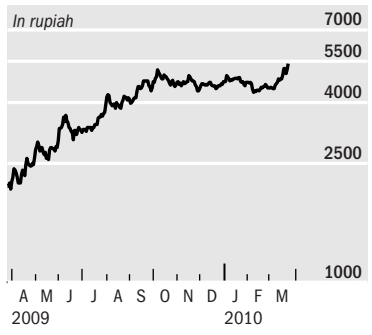
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**14**			
Earnings per share, past four quarters	**585.56**			
Dividend yield	**1.6**			
Banks		**-0.4%**	-0.4%	47.4%
Bank Rakyat Indonesia		**3.1%**	5.1%	88.6%

Bank Mandiri (Persero)

Indonesia 5,400 rupiah

▲ **4.9% or 250 rupiah**

The bank advanced after it reported a better-than-expected jump in full-year net profit.



		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**19**			
Earnings per share, past four quarters	**287.49**			
Dividend yield	**0.8**			
Banks		**-0.4%**	-0.4%	47.4%
Bank Mandiri (Persero)		**4.9%**	9.1%	157.1%

Orient Overseas

Hong Kong HK$58.20

▲ **7.7% or HK$4.15**

The company's shares jumped as Goldman retained its buy rating.

		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**none**			
Earnings per share, past four quarters	**-4.99**			
Dividend yield	**none**			
Indus Gds & Svcs		**-0.6%**	-0.5%	59.8%
Orient Overseas		**7.7%**	-4.9%	192.8%

Nintendo

Japan ¥30,400

▲ **8.7% or ¥2,430**

Shares surged a day after the company announced plans to release a new hand-held game console.

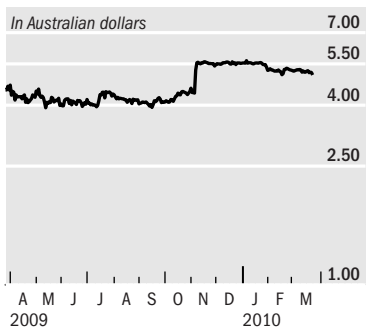
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**19**			
Earnings per share, past four quarters	**1623.50**			
Dividend yield	**3.2**			
Personal & Hshld Gds		**-0.3%**	0.4%	43.9%
Nintendo		**8.7%**	10.9%	-0.7%

Transurban Grp

Australia A$5.05

▼ **1.9% or A$0.10**

Australia's Future Fund ended talks with Canadian pension funds about a joint bid for the company.



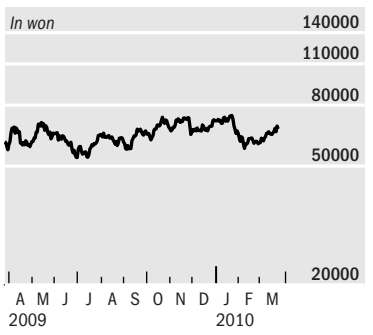
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**273**			
Earnings per share, past four quarters	**0.02**			
Dividend yield	**2.4**			
Indus Gds & Svcs		**-0.6%**	-0.5%	59.8%
Transurban Grp		**-1.9%**	-2.9%	12.2%

Hyundai Eng & Con

Korea 66,700 won

▼ **2.1% or 1,400 won**

The company's shares declined after ending 4.5% higher in the previous session.



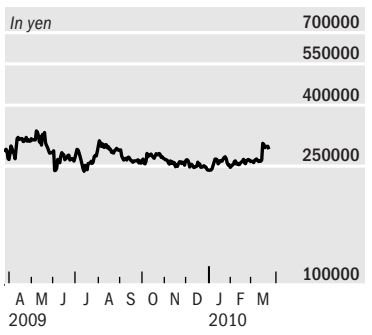
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**16**			
Earnings per share, past four quarters	**4111.18**			
Dividend yield	**0.9**			
Constructn & Matl		**-0.4%**	-0.8%	57.8%
Hyundai Eng & Con		**-2.1%**	3.4%	10.6%

Sony Financial

Japan ¥284,600

▼ **2.3% or ¥6,800**

Investors made room for Dai-Ichi Mutual Life Insurance shares, which are due to list April 1.



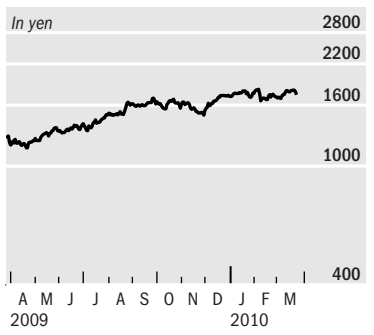
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**14**			
Earnings per share, past four quarters	**20689.70**			
Dividend yield	**1.1**			
Insurance		**-0.5%**	-1.8%	30.4%
Sony Financial		**-2.3%**	-3.7%	2.2%

Asahi Breweries

Japan ¥1,733

▼ **2.5% or ¥44**

The shares took a hit as Morgan Stanley cut the firm to equal-weight from overweight.



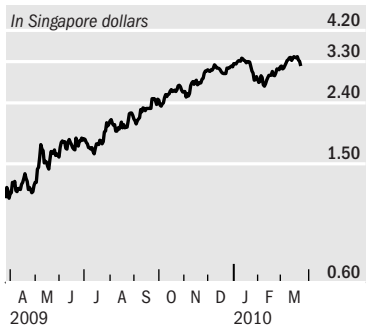
		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**16**			
Earnings per share, past four quarters	**107.50**			
Dividend yield	**1.2**			
Food & Beverage		**-1.0%**	-1.5%	51.4%
Asahi Breweries		**-2.5%**	-3.3%	37.5%

Noble Grp

Singapore S$3.19

▼ **3.6% or S$0.12**

A report by Credit Suisse said the company's valuations remain unattractive.



		PERCENTAGE CHANGE Daily	1 wk.	52 wks
Price-to-earnings ratio	**14**			
Earnings per share, past four quarters	**0.23**			
Dividend yield	**2.1**			
Indus Gds & Svcs		**-0.6%**	-0.5%	59.8%
Noble Grp		**-3.6%**	-6.5%	177.4%

Battle over tax break flares

J.P. Morgan in talks for $1.4 billion; economic stimulus bill gives $12 billion to 250 firms

By Scott Thurm And Dan Fitzpatrick

J.P. Morgan Chase & Co. is nearing a deal that would allow it to benefit from a tax refund of as much as $1.4 billion, becoming the latest company to tap a little-noticed plank in an economic stimulus bill.

That law let companies apply losses from 2008 or 2009 against taxes paid in the previous five years, instead of the previous two years. Failed Seattle thrift Washington Mutual Inc. is eligible for about $2.6 billion in tax refunds, thanks to big losses in 2008. Now J.P. Morgan, which took over WaMu's banking operations in September 2008, is in discussions with the Federal Deposit Insurance Corp. and bondholders about the refund.

According to people familiar with the talks, an agreement under discussion would let J.P. Morgan claim more than half of the total, to be held in an FDIC receivership as part of a larger settlement with bondholders. J.P. Morgan could dip into that pot to satisfy certain claims related to WaMu's collapse.

Many other companies have benefited from the 2009 tax-refund law already. According to an analysis of securities filings by The Wall Street Journal, more than 250 companies have said they expect to get about $12 billion in federal tax refunds under the law.

That is only a partial list. The Joint Committee on Taxation, a congressional committee, estimated the provision would cost $33 billion in its first year.

Some critics have found the corporate-tax-refund technique wanting as a stimulus or job-creation move. Prior to Congress's passage of the $787 billion stimulus law in early 2009, the Congressional Budget Office looked at six possible stimulus approaches and ranked this one least effective, saying each corporate tax dollar refunded would generate at most 40 cents of boost to gross domestic product. The corporate-tax-refund approach wasn't included in the big stimulus bill early in the year but was part of legislation in November that extended jobless benefits.

Douglas Shackelford, a tax professor at the University of North Carolina at Chapel Hill, said using federal tax receipts to shore up corporate balance sheets amounts to "public borrowing to pay off private debt...It's not clear to me that's a good use of money at all."

Home builders, hit with big losses in the housing slump, are getting the biggest lift from the law. Sixteen builders estimate they are due refunds totaling more than $2.6 billion. The tax break propelled builders **Lennar** Corp., **Hovnanian Enterprises** Inc. and **KB Home** to profits in recent quarters.

Others that have said they are receiving tax refunds include **US Airways Group** Inc. and **Alaska Air Group** Inc.; retailers **Liz Claiborne** Inc., **Borders Group** Inc. and **Zale** Corp.; and financial-services firms **HSBC Holdings** PLC and **Legg Mason** Inc.

The law doesn't say how recipients must use the refunds. Some plan to pay down debt or stockpile cash. Most aren't saying how they will use the money.

Liz Claiborne said a $167 million refund it received will help it open 25 stores this year, instead of closing 10 to 20 as planned. "For us it was transformative. It puts our company back in an expansion mode," said the retailer's chief executive, William McComb, who had personally lobbied for the tax break.

Oil-and-gas company **Apache** Corp. will pump its expected $138 million tax refund into its multibillion-dollar exploration budget, a spokesman said.

Some companies intentionally took steeper losses last year to qualify for bigger tax refunds. KB Home sold land at a loss in 2009, the Los Angeles home builder told investors in January.

"We were able to dispose of lots, generate cash, take advantage of [the tax break], improve our balance sheet," KB Chief Executive Jeffrey Mezger said. "It was a very nice move for us." Booking the $192 million tax benefit propelled KB Home to a $100 million profit in its fiscal fourth quarter ended Nov. 30.

Circuit City Stores Inc., which sought bankruptcy protection in 2008, recently said it expects an $86 million refund. The retailer closed all of its stores last year.

Investment bank Lehman Brothers, which filed for bankruptcy in 2008, could also be eligible for a refund under the law. It recently filed its 2008 tax return with a net operating loss of about $47 billion and is "evaluating" how much it could claim from the new legislation.

J.P. Morgan's access to the stimulus law would come even though the statute excluded recipients of aid under the Troubled Asset Relief Program. J.P. Morgan got $25 billion in TARP aid, which it has since repaid.

In September 2008, J.P. Morgan bought the banking operations of WaMu, which had been taken over by regulators after running up big losses.

When Congress passed the tax break last autumn, J.P. Morgan said it should be allowed to claim the $2.6 billion in tax refunds WaMu would have qualified for if it hadn't failed and been seized by the FDIC.

Holders of WaMu bonds have argued they should get the refunds and have objected to J.P. Morgan's claims, citing the lifeline J.P. Morgan got under TARP. Giving the break to J.P. Morgan would essentially grant the big New York bank "a refund of its purchase price" for WaMu, said Renee Dailey a Bracewell & Giuliani LLP partner who represents some bondholders.

J.P. Morgan officials have told other parties in the case that the ban on TARP recipients using the tax break is irrelevant, because it was WaMu that paid the taxes on which the refund is based. J.P. Morgan has noted the refund wouldn't go to it directly; it would sit in a receivership at the FDIC that also houses the $1.9 billion J.P. Morgan paid for WaMu's banking assets and deposits.

Under the deal being discussed, $1.55 billion of the refund would go into the pot that would be used by the FDIC to cover J.P. Morgan's potential losses on legal claims related to the takeover. J.P. Morgan can then make a claim for as much as $1.4 billion of those funds.

Tax back

Tax benefit companies say they will get from the new rule, in millions:

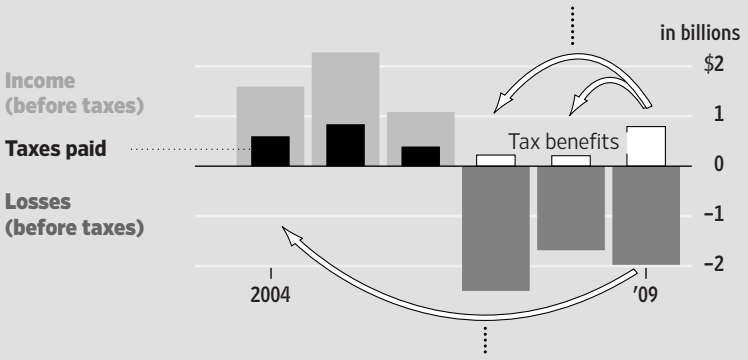
	Benefit
Washington Mutual*	$2,600
HSBC Holdings	1,600
Pulte Homes	867
MBIA	502
Legg Mason	459
Ambac Financial Group	440
Sunoco†	400
Lennar	320
Hovnanian Enterprises	291
MGIC Investment	282

*WaMu's banking operations are now owned by J.P. Morgan.
†Sunoco says it was eligible for a portion of the refund under previous tax law.

Source: Securities and Exchange Commission filings; the companies

One example: Pulte Homes

Pulte lost money in 2009. Under the previous tax law, it could carry back that loss to offset income in the prior two years. But Pulte lost money, and received tax benefits, in 2007 and 2008.



The new law allows Pulte to carry back the losses as far as 2004, a period when it was profitable and paid significant taxes.

Insider probe by FSA yields seventh arrest

By David Enrich

British police arrested a seventh individual Wednesday as part of an expanding investigation into insider trading that is rocking London's financial community.

The arrest followed the apprehensions Tuesday morning of six London-based traders and banking executives whom the U.K. Financial Services Authority suspects of participating in a "sophisticated and long-running" insider-trading ring.

The FSA hasn't detailed the scope or circumstances of the alleged trading scheme, beyond asserting that the participants reaped "significant profits." The agency describes the investigation, which started in late 2007, as its biggest ever against insider trading. The FSA is investigating the case in conjunction with the U.K.'s Serious Organised Crime Agency.

The FSA wouldn't disclose the identity of the person arrested Wednesday morning. Among the men arrested Tuesday are: Martyn Dodgson, a managing director in **Deutsche Bank** AG's corporate-broking group; Julian Rifat, an "execution trader" at hedge fund **Moore Capital Management** LP; Clive Roberts, the head of European equities sales and trading at brokerage **Exane** SA; and Graeme Shelley, a trader at **Novum Securities** Ltd., according to people familiar with the matter. Messrs. Dodgson, Rifat, Roberts and Shelley couldn't be reached for comment Wednesday.

A Deutsche Bank spokesman said the firm is cooperating with the authorities as they look into the matter. Moore Capital has said that the employee being investigated by the FSA had been "placed on administrative leave" and that the firm was "co-operating fully" with the probe.

Exane on Tuesday confirmed that the FSA questioned an employee, but declined to comment further. Novum Securities had no comment on its employee's arrest.

Some of the men arrested Tuesday have been released on bail after being questioned at police stations in London and elsewhere in southern England, according to a person familiar with the matter. None has been charged with a crime.

—Cassell Bryan-Low and Sara Schaefer Muñoz contributed to this article.

Corzine back to trading roots as MF Global chief

By Jacob Bunge And Liam Pleven

Jon Corzine, the former **Goldman Sachs Group** Inc. chairman, is returning to the financial world just months after losing his re-election bid as New Jersey governor.

MF Global Holdings Inc., the world's largest independent futures brokerage, named Mr. Corzine chairman and chief executive on Tuesday, as it tries to recover from a trading scandal and a string of quarterly losses. Mr. Corzine will be the third CEO of MF Global in less than 18 months. He succeeds Bernard Dan as CEO and Alison Carnwath as chairman.

MF Global brings Mr. Corzine back to the world of trading, the arena in which he cut his teeth at Goldman Sachs. Since losing the election last year, Mr. Corzine has made known his interest in returning to Wall Street, though some had speculated Mr. Corzine may find a bigger role. He had been mentioned as a possible CEO at Bank of America Corp., a firm that is far closer in size and prominence to Goldman Sachs.

"If I sat down two months ago and wrote out what I was looking for in terms of an opportunity, it would look something like this," Mr. Corzine, 63 years old, said in an interview Tuesday.

Mr. Corzine's mission will be to return MF Global to profitability and to position the company to capitalize on upheaval caused by the global financial crisis.

MF Global will pay Mr. Corzine $1.5 million in base salary under a contract that runs through March 31, 2011, according to a filing with the Securities and Exchange Commission. He will get a $1.5 million signing bonus, and a cash bonus that will be at least $2 million and is targeted to reach $3 million based on individual and corporate performance goals, the filing said. He will have the option to purchase 2.5 million shares of MF Global.

Though New York-based MF Global is less than 1% of the value of his former firm, based on stock-market capitalization at Tuesday's close, Mr. Corzine said he was drawn by the potential to "create franchise value" and by what he called opportunities for international growth. "There are a lot of places that have bigger capital positions, and a lot more so-called panache, that don't have the global footprint of this organization," he said.

MF Global's shares rose 12% in midmorning trade Wednesday on the New York Stock Exchange.

The job came up while Mr. Corzine was in discussions with J. Christopher Flowers about becoming a partner in Mr. Flowers's private-equity firm, **J.C. Flowers** & Co. The firm has a 10% stake in MF Global. Mr. Corzine also will join J.C. Flowers as an operating partner.

As head of Goldman Sachs for five years in the 1990s, Mr. Corzine took the firm public and helped set it on a path to huge profits in the years before the financial crisis.

MF Global trades listed and over-the-counter products and commodities.

Getty Images

Jon Corzine's mission is to return MF Global to profitability.

HEARD ON THE STREET

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Bloomberg News (left); Reuters

Divergent paths
As Google exits China, Rio Tinto's makes advances

Rio, Google and the China choice

Two prominent international companies—one old dog, one young pup—are confronting the choice foreign businesses face in dealing with China.

Rio Tinto, a mining company that has been no stranger to dealing with difficult regimes over the years, is making its peace. It has signed an agreement to develop a joint venture with **Aluminum Corp. of China** in Guinea, and is discussing more projects in Mongolia. All the while, four of its employees are on trial in Shanghai, accused of taking bribes and stealing commercial secrets.

Google, on the other hand, the idealistic Internet company for which "don't be evil" is an oft-noted guiding principle, has decided to end its accommodation of China's Web censorship. It is redirecting users to a site in Hong Kong that isn't censored, the culmination of a fight that started when Google said its systems were sustaining cyber attacks originating in China.

There's a knee-jerk conclusion to draw from all this: Cynical old-economy firms will compromise as long as there's a buck to be made; heroic new-economy firms are keener to put principles before profit.

Maybe. But a cool commercial logic lies behind both Rio and Google's decisions.

China is a crucial market for Rio Tinto, with its growing appetite for iron ore. The supply-and-demand equation is weighted in favor of Rio and other major miners, meaning it's a profitable place to do business, however troublesome iron-ore price negotiations with Chinese steelmakers may be. Having state-run Chinalco back on its side, meanwhile, will help the debt-laden Rio develop its global interests.

For Google, China has yet to become a major profit center, even though it has gained a decent market share. It is estimated that China accounts for about 1% to 2% of Google's global income. Nor will China miss Google: It has compliant local companies such as **Baidu** to offer search services to its Web users. China and Google don't need each other in the way China and Rio do.

The number of companies feeling unwelcome in China is growing, a survey of U.S. firms carried out by the American Chamber of Commerce has found. They need to take a good, hard look at their fundamental position and decide: Do they fall into the Rio or Google camp.

—Andrew Peaple

Government's move a setback for reform in Japan

Neither a borrower nor a lender be. Unless you can borrow from yourself.

On Wednesday, the Japanese government announced a plan to retain control of more than one-third of Japan Post Bank and Japan Post Insurance, both units of the nation's postal service. That is a big enough stake to let Tokyo block management decisions at both companies.

Limits on deposits and potential insurance payouts will double, in effect increasing these institutions' access to cheap cash. Given the chance, individuals are more likely to entrust money to the two, thanks to the security their de facto government backing implies.

Japan Post, the holding company for both, is the single largest holder of government debt, with about one third of the nation's total issuance. In other words, Tokyo is ensuring its biggest lender stays firmly under its control while gaining access to more capital.

This is, of course, a setback to the cause of fiscal reform in Japan. Until the new government was elected last year, the bank and the insurance company, among the world's largest by assets, were heading toward a public offering.

Once privatized, they would have also diversified away from a heavy weighting in low-yielding government bonds, diverting some of their $3.3 trillion toward loans and investments elsewhere in the Japanese economy.

Instead, Post Bank and Post Insurance will retain their status as a financiers of marginally useful public works and state affiliates.

Leaning on the state-run postal system for financing made sense in the past. It routed individual savings into vital industry and infrastructure projects. More recently, though, it has become a way for Tokyo to finance projects that do little more than ensure cushy jobs for retired bureaucrats.

Naturally, the changes will help ease Tokyo's financing concerns. That is until Japan's growing ranks of retirees begin to cash in those insurance policies and draw down their savings.

Make no mistake, Japan will eventually have its pound-of-flesh moment.

—James Simms

Greek crisis is hanging over the euro

The Greek crisis has reached a new level. What started as a problem with one country's fiscal credibility has exposed political fault lines through the euro zone.

Constructive ambiguity, which gave markets belief that unspecified help would be provided, has given way to confusion. That raises the chance of European leaders being forced to give more concrete help.

Bond yields show the depth of the crisis. Greek 10-year yields stood at 6.35% Wednesday. As important, German bonds, at 3.06%, have hit the lowest yields in roughly a year. This reflects three forces: the flight-to-safety trade, a preference for German fiscal prudence and fears over the potential damage the Greek crisis could inflict on the euro-zone economy and financial system.

Meanwhile, European Central Bank President Jean-Claude Trichet has noticeably softened his hard line on Greece and started playing peacemaker as political divisions have hardened.

With Greece still demanding support while insisting it hasn't asked for aid, the market remains on red alert ahead of the European Union summit.

The time has come for all sides to cool the debate and focus on the hard choices needed across the currency bloc to repair damage from the financial crisis and develop the conditions for future growth.

The chances of this happening are getting slimmer. Even if Greece wins short-term support, such a fix may increase moral hazard and reinforce doubts about the euro zone's ability to enforce fiscal discipline. Meanwhile, the breakdown in trust caused by Greece's behavior risks further undermining confidence in the currency itself.

—Richard Barley

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MARKETS

BofA turns eye to China

Bank plans to seek a securities license; 'comfortable' CCB stake

By Dinny McMahon

BEIJING—**Bank of America** Corp. plans to expand its business in China and the rest of Asia, Chief Executive Officer Brian Moynihan said during his first visit to the region since taking over at the beginning of the year, but offered few details.

Bank of America has lagged many of its peers in building up its Chinese operations. It established a branch in the country in 2004, but other than a high-profile minority investment in 2005 in **China Construction Banking** Corp., China's second-largest bank by assets, it has received approval to handle only limited forms of lending and investment-banking since then.

Speaking to journalists in Beijing Wednesday, Mr. Moynihan said his bank will work toward obtaining a securities license over "the next several years." That would allow Bank of America to join **Goldman Sachs Group** Inc., **UBS** AG, **Credit Suisse Group** and **Deutsche Bank** AG in being able to underwrite stock and bond sales in joint venture with a local Chinese partner.

He also confirmed that Bank of America will seek to locally incorporate its China operations, a process banks generally undergo in order to be allowed to offer retail business in the local currency.

CEO Brian Moynihan said the U.S. bank will seek to incorporate its Chinese operations.

Mr. Moynihan said that setting up a local unit would allow the bank to apply for more opportunities in China's debt and capital markets. Bank of America doesn't offer retail-banking services outside the U.S.

Mr. Moynihan also said he met with China Construction Bank Chairman Guo Shuqing during the visit. "I think the relationship is very strong," Mr. Moynihan said of the two banks, and referred to Bank of America's stake in the Chinese lender as a "long-term strategic holding." He also said he was "comfortable" with the size of Bank of America's current stake.

Last spring, Bank of America sold a third of its 16.7% stake in CCB amid regulatory demands for new capital. The U.S. bank can't do anything with its remaining shares until August 2011.

Mr. Moynihan was joined by the Bank of America's new chief risk officer, Bruce Thompson. The former chief risk officer, Greg Curl, is still Bank of America's representative on China Construction Bank's board of directors. Mr. Moynihan declined to say who will replace Mr. Curl on the board, and said the issue wasn't discussed with China Construction Bank during the visit.

Mr. Moynihan arrived in China Tuesday and was to travel to Japan Wednesday night, the last leg of his trip before heading home to the U.S.

—Victoria Ruan contributed to this article.

Reuters

Brian Moynihan, shown at Davos in January, made his first visit to China.

In the current fast-moving market, time is an asset. With that in mind, we have extended our private banking hours for you on Saturdays in Singapore, from 9am to 2pm.* We are located at 1 Raffles Link, #05-02, Singapore 039393.

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